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# BLOCK BY BLOCK

## it's good to build well

models of organisation of local self-governance



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## **BLOCK BY BLOCK - IT'S GOOD TO BUILD WELL**

- models of organisation of local self-governance -

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# BLOCK BY BLOCK

IT'S GOOD TO BUILD WELL

– models of organisation of local self-governance –



# PUBLISHER'S FOREWORD

*The book you have before you is preceded, and precedes itself, by various research projects and publications. It is preceded by a comprehensive and complex analysis of the situation in local governance and self-governance in BiH, published under the same title in 2005, and BiH local self-governance development strategy, published in 2006 and supported by a consensus among the most concerned domestic and international stakeholders. The analysis first identified the problem in the basic model of local self-governance applied in both entities: a conflict between uneven territorial structure on one hand, and uniform structure of competences on the other. Subsequently, the research methods used focused on this problem in order to create a fundamental precondition for designing substantial functional and fiscal decentralisation. Thus, a relevant programme was designed, managed by EDA, the development agency from Banja Luka, supported by the Open Society Fund BiH and Local Governance Initiative Budapest.*

*In terms of concepts, dealing with a fundamental problem requires a change in the current territorial and functional model: harmonisation of territorial structure (fragmentation or merger of municipalities) or differentiation of competences (between rural and urban municipalities, between municipalities and cities); or, at the same time, mutual adjustment of both territories and functions? What should be the choice? Where to start? We have decided to postpone experiments until we have studied the experiences of countries of shared communal past, which are already in the “experimental stage” (Slovenia, Croatia and Macedonia), as well as experiences from Denmark, a key representative of the Scandinavian model of “wellbeing” and an advocate of the pragmatic approach to decentralisation and local self-governance organisation.*

*“Block by Block – It’s Good To Build Well” contains six chapters. The first five are case-studies of countries selected on the basis of certain similarities and differences, and the last one is a conceptual overview and an introduction to further research.*

*However unwise, there often seem to be simple solutions for complex problems in this country, and experiments take place in reality instead of with models or on paper. Hoping to contribute to changing this socially dangerous habit, together with the editor and the authors who worked hard on their superb contributions, we believe that this publication initiates serious professional, as well as political debates on fundamental issues of development of local self-governance in BiH.*



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Dragan Milinković

# AN ORGANISED HOUSE – A STRONG COMMUNITY

– Local self-governance in Denmark –



## INTRODUCTION – BACKGROUND ON DENMARK

Denmark is the oldest kingdom in the world. It is an island state of 43.094 km<sup>2</sup>, comprising the Jylland peninsula and 474 islands, the largest of which are Sjælland, Fyn, Lolland, Falster and Bornholm. The Faeroe Islands and Greenland are parts of Denmark, though self-governed (autonomous) and are not part of the European Union (hereinafter: the EU) or the European economic area, i.e. the EU Treaty with the Kingdom of Norway, the Republic of Island and the Duchy of Lichtenstein, and will thus not be covered in this paper. <sup>1</sup> Laws adopted by the Danish National Assembly (Folketinget) do not, as a rule, apply to the Faeroe Islands or to Greenland, but their effect may include them.

The Danish Constitution (Grundloven) was adopted on 5 June 1849 <sup>2</sup> and was amended in 1866, 1915, and most recently on 5 June 1953.

Danish municipalities also date far back because in its Chapter VIII (old § 96, current § 82), the 1849 Constitution contains a provision on municipal (self) governance: “The right of municipalities to manage their own affairs independently, under state supervision, shall be set by law.” This means that the legislator defines,

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1 Ministry of Science, Technology and Innovation, [www.workindk.dk](http://www.workindk.dk)

2 This date is celebrated as the Constitution and Statehood Day.

within a wide scope, the content of municipal (self)governance, both in terms of tasks assigned to municipalities, and in terms of setting the boundaries of unwritten (common) municipal affairs. Therefore, municipal (self)governance cannot be abolished in full.

Population of Denmark:

	EXPRESSED IN:	1990	2000	2006
Population on 1 January	million	5.14	5.33	5.43
Immigrants and their ancestors	percentage	4.2	7.1	8.5
From non-Western countries	percentage	2.2	4.8	6.0

Source: Danmarks Statistik: "Danmark i tal 2007", [www.dst.dk/Statistik/ags/DKital.aspx](http://www.dst.dk/Statistik/ags/DKital.aspx)

The only recognised minority is German (Nordschleswigere), of some 15–20 thousand persons settled in the south of the peninsula in Sønderjylland.<sup>3</sup>

The official language is Danish, English is spoken by almost the entire population, and many people speak German as well. Danish, Norwegian and Swedish are quite similar and native speakers understand each other.

The official religion is Lutheranism (95% of the population), governed by the People's Church (Folkekirken). There are 3% of other Christian religions and some 2% of Muslims.<sup>4</sup>

The currency is the Danish crown (hereinafter: DKR), and although it is an EU member state, Denmark is not part of the Euro-zone, as its population opted out at the referendum held on 28 September 2000: of 87.6% of the total votes, 53.2% were against.<sup>5</sup>

3 [www.landesregierung.schleswig-holstein.de/coremedia/generator/Aktueller\\_20Bestand/StK/Information/Grenzregion\\_\\_SH\\_\\_DK/RegionSyddanmarkSchleswig\\_\\_DK.html](http://www.landesregierung.schleswig-holstein.de/coremedia/generator/Aktueller_20Bestand/StK/Information/Grenzregion__SH__DK/RegionSyddanmarkSchleswig__DK.html) and the Ministry of Health and Home Affairs: [www.im.dk/im/site.aspx?p=238](http://www.im.dk/im/site.aspx?p=238)

4 [www.cia.gov/cia/publications/factbook/geos/da.html](http://www.cia.gov/cia/publications/factbook/geos/da.html)

5 [www.eu-oplysningen.dk/dkeu/dk/afstemninger/afstemning/2000/](http://www.eu-oplysningen.dk/dkeu/dk/afstemninger/afstemning/2000/)

## REFORMS IN ORGANISATIONAL STRUCTURE AND TASK DISTRIBUTION IN THE PUBLIC SECTOR

The 1970 public sector reform decreased the number of municipalities to 275 and the number of districts to 14. It also reorganised the regular tasks and duties and the state assigned greater influence and more tasks to municipalities and districts. The public sector has been gradually decentralised since then.

The latest public sector reform took effect as of 1 January 2007 and it introduced huge changes. It comprises three key elements:

1. it established a new map of (self)governance with 98 municipalities, instead of the previous 271 municipalities and 5 regions;
2. it introduced a new distribution of tasks;
3. it introduced a reform of financing and harmonisation.

The previous distribution of tasks was no longer purposeful in several areas, and municipalities and districts were not large enough to perform the tasks assigned to them by law, etc.

In addition to preliminary political arrangements, a set of laws and regulations was prepared in the autumn of 2004, in order to implement the public sector reform. The aim was to provide a legal basis for the practical implementation of the reform. Thus, the Danish National Assembly adopted more than 70 laws, covering more than 14 different ministerial areas. Most of the proposals came from the Ministry of Health and Prevention – twenty three.

The aim of the reform was to maintain and perfect a democratically governed public sector, with a solid basis for further development of social wellbeing in Denmark. Thus, the public sector was allowed to continue with its tradition of caring for the most vulnerable parts of the population and of investing in people for the future. That is why the decentralised model will be protected in the future, by creating accountable, sustainable and strong units which will allow for social wellbeing in Denmark. At that, municipalities and regions will enjoy greater freedom of action in local matters, and in a more coherent way.

Larger municipalities allow for better performance. Democracy grows stronger as more tasks are assigned to the local level, because more political decisions are made locally, thus strengthening the rule of the people. Citizens are thus actively involved in decision-making. So, municipalities should find new forms for involving citizens and users in local decision-making.

The state sets the general framework, and municipalities are competent for direct, citizen-focused tasks, thus becoming the key access to the public sector for both citizens and companies. Regions become responsible for the health sector and for most municipal affairs, and are the key lever of regional development (cf. “Overview of Competences as of 1 January 2007”, below). The number of levels of taxation is reduced from three to two.

A particular challenge will continue to be how to secure the content and quality in public duties, with professional and competent municipalities playing a key role. That is why future reforms will focus on quality reform, to secure that new organisational frameworks are filled with quality solutions focused on the needs and wishes of the citizens.

## OVERVIEW OF MUNICIPALITIES

Political negotiations on the new map of (self) governance meant that most of the local proposals were approved unconditionally, and that voting was held prior to approval in 24 “old” municipalities, that in eight municipalities/districts a mediator provided an additional basis for decision-making prior to the approval, and that the Minister of Health and Home Affairs started to consider specific conditions for unification with three “old” municipalities. After that, a new map of 98 municipalities was drawn, with 65 merged municipalities, 11 old municipalities divided on the basis of local votes, and 33 unchanged municipalities, of which seven were with less than 20,000 inhabitants, so that all the seven had to enter mandatory collaboration – five of the seven were island municipalities.<sup>6</sup>

Following the public sector reform, municipalities are much larger than before, as, for example, of 271 municipalities, 206 had less than 20,000 inhabitants. The

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<sup>6</sup> Ministry of Health and Home Affairs: “Kommunalreformen – kort fortalt”, 1st economic office in this Ministry, Copenhagen, 2005, pp. 12-15.

average size grew from 20,000 to 55,000 inhabitants. Most of the pre-reform municipalities were groups of 5,000 to 9,999 inhabitants, i.e. 42%, then a group of municipalities of 10,000 to 19,999 inhabitants, i.e. 28%. This was changed after the reform so that most of the municipalities are in the group of 30,000 to 49,999 inhabitants, i.e. 40%, the next group is from 50,000 to 99,999 inhabitants, i.e. 29%. Until 31 December 2006, one third of the population (1,900,000) lived in municipalities of 20,000 inhabitants, and after the reform some 55,000 persons live in municipalities of less than 20,000 inhabitants, i.e. less than 1%. After the reform, 3,300,000 persons live in municipalities of more than 50,000 inhabitants, and 4,900,000 persons live in municipalities of more than 30,000 inhabitants.<sup>7</sup>

In terms of size, public sector reform increased the average size of municipalities from 159 km<sup>2</sup> before the reform, to 440 km<sup>2</sup> after the reform. Prior to the reform, 71% of all municipalities were of less than 20 km<sup>2</sup>, and after the reform, this group was cut into less than one half, to 32%. The surface of the smallest municipality both pre- and post-reform is some 9 km<sup>2</sup>. The largest pre-reform municipality was of 588 km<sup>2</sup>, whereas the largest post-reform municipality has the surface of 1,489 km<sup>2</sup>.<sup>8</sup>

As for the governance model in the capital of Copenhagen, the reform of 1 January 1998 introduced the same model applied in all other municipalities in Denmark, i.e. the board administration (udvalgsstyre).<sup>9</sup>

## OVERVIEW OF MUNICIPALITIES BY SIZE IN SELECTED EUROPEAN COUNTRIES

There are visible differences when comparing the number of inhabitants by municipality in selected European countries. It is thus evident that in Denmark and Sweden there are no municipalities with less than 1,000 inhabitants, which is not the case with more than one half of the municipalities in Spain and more than one quarter in France. Most of the countries compared have fewer than 10,000 inhabitants in more than 50% of their municipalities. In Sweden, the share of

7 Source: Danmarks Statistik, calculation of inhabitants as on 1 January 2005: [www.dst.dk](http://www.dst.dk)

8 Source: Ministry of Health and Home Affairs: "De Kommunale Nøgletal", [www.noegletal.dk](http://www.noegletal.dk) (Borderline adjustments not taken into account).

9 Additional data available in English at the capital municipality's web page: [www3.kk.dk](http://www3.kk.dk)



municipalities with less than 10,000 inhabitants is lower, about 25%, whereas in Holland it is around 15%. As of 1 January 2007, Denmark has been quite different from the rest of the countries presented here, with no more than 4% of the total municipalities with less than 10,000 inhabitants.

#### Number of inhabitants by municipality in selected European countries:

	Less than 1,000	1,000 -5,000	5,001 -10,000	10,001 -50,000	50,001- 100,000	More than 100,000		
Country:	Percentage (%):						Total number of municipa- lities:	Average size of municipa- lities (popula- tion size):
Denmark 2005	0	5.9	41.7	46.1	4.8	1.5	271	19,900
Denmark 2007*	0	3.1	1	61.2	28.6	6.1	98	55,200
Italy	24.2	47.1	14.6	12.4	1.2	0	8,101	7,200
Norway	5.3	50.3	21	20.6	1.6	1.2	433	10,500
Finland	5.1	46.3	25	20.4	1.8	1.4	432	12,100
France	76	19	2.7	2.1	0.2	0.1	36,565	1,600
Holland	0.2	2.1	12.6	71.3	8.4	5.6	467	34,900
Sweden	0	4.5	21	59.7	10.7	4.1	290	31,100
Spain	60.7	24.3	6.6	6.8	0.9	0.7	8,109	5,300

*Sources:**Denmark: Danmarks Statistik. No. of inhabitants as on 1 January 2005.**Italy: Istat. Data for 2004.**Norway: Statistisk Sentralbyrå. Data for 2005.**Finland: Statistics Finland. Data for 2004.**France: Ministère de l'intérieur, DGCL, „Les collectivités locales en chiffres 2004“. Data for 1999.**Holland: Statistics Netherlands. Data for 2005.**Sweden: Statistiska Centralbyrån. Data for 2005.**Spain: Instituto Nacional de Estadística. Data for 2004.*

\* *Note: As for municipalities of 1,000 to 5,000 inhabitants and from 5,001 to 10,000, these are island municipalities included in mandatory collaboration.*

In most of the countries compared, the share of large municipalities with more than 100,000 inhabitants is between 0% and 2%. There are two exceptions, Sweden with 4% of such municipalities, and Holland with 6%. Until 2005, Denmark had around 1.5% of such municipalities with more than 100,000 inhabitants, but the recent public sector reform increased the share to more than 6%.<sup>10</sup>

## OVERVIEW OF REGIONS

The recent public sector reform abolished districts. It also abolished the Hospital Community of the Capital (Hovedstadens Sygehusfællesskab) and the Development Council of the Capital (Hovedstadens Udviklingsråd).

Five regions were established instead, with 600,000–1,600,000 inhabitants. Regions are considerably larger than districts, which had some 225,000–660,000 inhabitants. In terms of surface area, regions are also clearly larger than districts: most districts were between 528 km<sup>2</sup> and some 6,200 km<sup>2</sup>, the size of the regions is between 2,560 km<sup>2</sup> and 13,190 km<sup>2</sup>.<sup>11</sup> Most of the districts were included into regions without any partitions. A single municipality was located into a different region. Some regional borders were adjusted on the basis of local votes.

<sup>10</sup> Ministry of Health and Home Affairs: "Kommunalreformen – kort fortalt", 1st economic office in this Ministry, Copenhagen, 2005, pp. 18-19.

<sup>11</sup> Ministry of Health and Home Affairs: "Kommunalreformen – kort fortalt", 1st economic office in this Ministry, Copenhagen, 2005, p. 19. Population calculated as on 1 January 2005.

## OVERVIEW OF COMPETENCES AS OF 1 JANUARY 2007

### Municipalities

Municipalities are responsible for the following areas:

- in social affairs, they are responsible for administration, financing and supplies;
- child care;
- primary education, including special education and special educational support to small children;
- special adult education;
- old-age care;
- in health care, they are responsible for prevention, care and rehabilitation not provided during hospital treatment, substance abuse treatment, at-home health care, municipal and special dental care, and social psychiatry;
- activities and projects for employment of non-insured unemployed persons in common employment centres, in collaboration with the state (ten pilot-municipalities deal with insured unemployed persons, on behalf of the state);
- contribution to integration and Danish language classes for immigrants;
- services in the field of taxation and collection of taxes, in coordination with state taxation centres;
- supplies and rescue (e.g. fire-hazard protection);
- nature, environment and planning: inter alia, specific citizen-oriented tasks, developing municipal plans and other plans related to sewer and garbage removal and water supply;
- local business services and tourism promotion;
- participation in regional transport companies;
- local road network;
- libraries, music schools, local sports facilities and other issues in culture.

### Regions

Regions are responsible for the following:

- the health sector, including hospitals, psychiatric hospitals, health insurance covering private GP and specialised practices;
- regional development, inter alia, related to nature and environment,

business, tourism, employment, education and culture, as well as development of borderline areas and regions, and administrative support to regional development forums;

- soil pollution;
- raw material finds and plans related to raw material;
- different institutions for vulnerable groups with special needs in social care and special education;
- transport companies across Denmark.

## State

The state is responsible for the following:

- police, defence and the judiciary;
- foreign affairs and development aid;
- supra-level planning in the field of health care;
- education and research, except for primary and special education;
- activation of insured unemployed persons in community employment centres, in collaboration with municipalities, unemployment insurance, labour inspection, as well as supra-level employment policy;
- taxation calculation and collection;
- in the field of social care: establishment of a national organisation for scientific and special advisory work;
- supra-level road network and state railways;
- supra-level tasks related to nature, environment and planning;
- certain activities in culture;
- economic subsidies;
- processing asylum applications and applicants. <sup>12</sup>

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<sup>12</sup> Ministry of Health and Home Affairs: “Kommunalreformen – kort fortalt”, 1st economic office in this Ministry, Copenhagen, 2005, pp. 21-32.

## SPECIAL ASPECTS

### Number of persons employed in municipalities

According to statistics for 2006, almost 397 thousand persons are employed full-time (37 hours per week) by municipalities. Adding to this the number of part-time employees, the total amounts to almost 478,000 municipal employees.<sup>13</sup>

Employees by different sectors, 2006 - 1st quarter:

Municipalities	Districts	State	DA* regions	Other private areas
19.0%	8.0%	7.2%	29.1%	36.7%

Source: Statistikbanken, Danmarks Statistik and the Ministry of Employment

\* Note: DA, i.e. Danish Association of Employers is an umbrella organisation (alliance) of 13 employer organisations, with more than 29,000 Danish private companies active in the private labour market in the fields of industry, trade, transport, services and construction: [www.da.dk](http://www.da.dk)

Unemployment in Denmark – with corrections for seasonal trends and calculations for full-time employment – for the period from February to March 2007 amounted to 3.9% of total employable persons, corresponding to the number of 106,600 persons employed full-time.<sup>14</sup>

The number of persons employed by municipalities is determined by the different competences of municipalities and the aims of the public sector reform. At that, of central importance is the fact that the key principle of Danish welfare – often referred to as the “Scandinavian welfare-state model” – is that all the

<sup>13</sup> Association of Municipalities (hereinafter: KL) is an interest-based organisation of municipalities in Denmark and all 98 municipalities are members, [www.kl.dk/\\_bin/42f210af-cde8-4b09-be67-61123039ec45.doc](http://www.kl.dk/_bin/42f210af-cde8-4b09-be67-61123039ec45.doc)

<sup>14</sup> Source: Danmarks Statistik: ”Sæsonkorrigeret ledighed - seneste tal”, [www.dst.dk/Statistik/seneste/Arbejdsmarked/Ledighed.aspx](http://www.dst.dk/Statistik/seneste/Arbejdsmarked/Ledighed.aspx)

citizens have the same access to social provisions, irrespective of their social background or origin. Citizens are thus economically secure, i.e. in relation to illness, unemployment and old age, with additional measures such as economic support for housing or child-care related costs. Moreover, there are several well-established service provisions such as day-care facilities, health care, municipal home-care, etc.

### **An example of this is the distribution of employees in the capital municipality of Copenhagen, on two grounds**

Distribution of employees in the capital municipality of Copenhagen by administration types:

	TOTAL IN 2005, IN NUMBERS:
Residents in the capital:	502,362
Employed in the capital:	271,629
Employees of the capital municipality of Copenhagen *:	45,607
Employees of the Construction and Technology Administration:	2,615
Employees of the Administration for Economic Affairs:	1,163
Employees of the Environment and Supplies and Administration:	197
Employees of the Health Administration:	11,271
Employees of the Culture and Recreation Administration:	1,538
Employees of the Youth and Education Administration:	13,189
Employees of the Family and Labour Market Administration:	15,585

Source: Københavns Kommune, Økonomiforvaltningen: "Statistisk redegørelse om ansatte i Københavns Kommune med anden etnisk baggrund end dansk", August 2005, [www.netpublikationer.dk/kk/6124/pdf/Statistik\\_12.09.05\\_rettetdoc.pdf](http://www.netpublikationer.dk/kk/6124/pdf/Statistik_12.09.05_rettetdoc.pdf)

*General note: The number of residents in the capital was calculated on 1 January 2005, the number of persons employed in the capital municipality of Copenhagen was calculated in mid-April 2005.*

*\* Note: Including employees in the Audits Directorate (Revisionsdirektoratet) and the Public Counselling Office (Borgerrådgivningen), which amounted to 49 persons in 2005*

Distribution of employees in the capital municipality of Copenhagen by professional groups:

	Total in 2005	
	In numbers:	In percentage (%):
Residents in the capital:	502,362	
Employed persons in the capital:	271,629	
Employees of the capital municipality of Copenhagen *:	45,607	100
Library staff:	202	0.4
Fire-brigade personnel:	650	1.4
High-school teachers:	661	1.4
Dentists:	109	0.2
Parking attendants:	122	0.3
Office and administration staff:	5,177	11.4
Kitchen and maintenance staff:	3,332	7.3
Physicians:	79	0.2
Care-givers for sick or injured persons, social and health aides, assistants in nursing homes and dental prosthetics nurses:	1,180	2.6
Persons with college /higher education degrees:	1,786	3.9
Educators and assistants in day-and-night institutions:	2,212	4.9

	Total in 2005	
	In num- bers:	In percenta- ge (%):
Educators and assistants in kindergartens and day-care institutions:	9,176	20.1
Semi-qualified and unqualified staff:	1,615	3.5
Social and health workers, municipal at-home care, etc.:	10,059	22.1
Social workers (counsellors):	571	1.3
Therapists (general physiotherapists and physiotherapists for medically prescribed treatment of sick or disabled persons):	549	1.2
Technical and qualified support staff:	798	1.7
Teachers:	7,306	16.0

Source: Københavns Kommune, Økonomiforvaltningen: “Statistisk redegørelse om ansatte i Københavns Kommune med anden etnisk baggrund end dansk”, August 2005, [www.netpublikationer.dk/kk/6124/pdf/Statistik\\_12.09.05\\_rettetdoc.pdf](http://www.netpublikationer.dk/kk/6124/pdf/Statistik_12.09.05_rettetdoc.pdf)

General note: Due to a different source of data and salary scale adjustments, the number of employees for 2005 cannot be compared directly with earlier calculations.

\* Note: Including 23 different managers.

Unlike in most other EU member states, in Denmark the social provision is only loosely based on employer contributions and direct payments of social contributions and the right to social assistance is only partly dependent on previous employment activity. Another feature of the “Scandinavian model of welfare state” is that high economic growth and social welfare are united with the relatively even distribution of revenues (income).<sup>15</sup>



## Financing

The National Assembly voted in favour of reforms in municipal financing, adapted to the situation with municipalities after the recent public sector reform. The financing reform includes changes in municipal financing, and some changes in taxation, as a consequence of the abolishment of districts. The key elements of reform include: reforms in the system of subsidies and adjustment, taxation redistribution, simplifications and adjustment in taxation and subsidy legislation, and interim solutions. Reforms ensure that new municipalities in all parts of the country enjoy equal opportunities for using acceptable taxation to secure the level of services which respond to citizens' needs.

A reform of the subsidy system and adjustments means that the general subsidy the state provides for municipalities (bloktilskuddet), calculated on the basis of taxation, is distributed on the basis of population figures. This means a more just distribution of subsidies for additional tasks and for growing social costs.

Moreover, the reforms introduced a new system of net adjustments. This means that adjustments are based on the size of structural shortages of certain municipalities, calculated as the difference between the envisaged expenditures of a municipality and its taxation revenues calculated on the basis of average taxation levels. Structural shortages are a direct reflection of the economic situation in a given municipality. They actually show if a municipality can pay for its expenditures by means of average specific municipal taxes.

The reform also assigns to the state the sole responsibility for adjustments of differences between municipalities across the country, unlike the old system which regulated this between municipalities. The state part of the subsidy is paid through general subsidies. Reforms also increase the amount of adjustment for the entire country, thus decreasing adjustment levels of the capital. Determination of the general adjustment level takes into account the fact that municipalities in different parts of the country have different expenditures. Moreover, poor municipalities may receive additional subsidies to secure full adjustment.

Reforms also introduced new calculations of costs for the country and for the capital,

which means better calculation of differences in the expenditures, which leads to better adjustment of growing social costs. This system includes reorganisation of current special arrangements, maintaining them for poor municipalities and for island ones. A special contribution for the elderly, amounting to half a billion Danish crowns, is kept and distributed in the same way as before, in relation to a particular demographic key for this part of the population.

The latest public sector reform also means the reorganisation of taxation and the simplification of taxation regulations, so that there are only two levels instead of the former three. As district taxation was abolished, a new health contribution of 8% was introduced, along with state-level income tax. Municipalities receive the part of district taxes not redirected for health contribution. Moreover, as a consequence of public sector reforms, there are changes in real estate taxation and real property value taxation.

In order to secure a flexible transition to the new structure, several interim solutions were introduced, including a restriction on municipal taxes for 2007.

The National Assembly also adopted a new system for financing regions adapted to the new structure. The regions have the following sources available for funding their tasks: general subsidy the state provides for health and development, allocated as needed by the regions; basic contributions provided by municipalities for health; development contributions provided by municipalities; and activity-specific contributions provided by municipalities for health. Inasmuch as regions deal with issues in social affairs and special education, such tasks are paid by municipalities in form of tariff. Overall, the state pays for some 3/4 of regional activities, and municipalities pay about 1/4.

The government believes that adjustments related to public sector reform will become neutral in terms of costs in a few years, and there will be economic growth due to more purposeful organisation of the public sector. The amount of one-off expenditures and gains from rationalisation in some municipalities and regions will depend on the way the adjustments have been prepared and the tasks executed. That is why it was important to organise one-off expenditure in such a way that municipalities and regions receive the best possible incentives for

their decisions in the interim period. On that basis and as part of the economic arrangement for 2006, a loan fund was set aside, amounting to one billion Danish crowns for 2006 and 2007, for the purpose of one-off expenditure related to public sector reform. The economic agreement for 2007 increased the loan fund by half a billion Danish crowns for specific one-off costs related to public sector reform.<sup>16</sup>

## LOCAL DEMOCRACY

### – RESULTS IN (SELF)GOVERNANCE

#### General popular vote (referendum)

A referendum as a form of direct democracy means that a legal proposal is presented to the entire electorate to decide on its fate, i.e. to confirm or reject a particular bill. The Danish Constitution provides for the possibility of holding binding and advisory (instructive) referenda. Constitutional amendments and application of the minimum age limit for voting require binding referenda. The same applies for any deviation from sovereignty, if there is no 5/6 majority for such a decision in the Danish National Assembly.

Municipal referenda are not based in the constitution or in any law and can only be of advisory nature. A section of this paper (entitled “Overview of Municipalities”) referred to referenda in 24 “old” municipalities. Such referenda were thus only advisory in relation to public sector reform.

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16 Ministry of Health and Home Affairs: “Redegørelse om status for kommunalreformen og det kommunale selvstyres vilkår”, Copenhagen, 2006, pp. 7-11.

## Indicators of citizen participation in self-governance

Research has shown that representative local democracy and local rule of the people in the form of mobilising citizens for different tasks, development ideas, etc. do bear fruit. Reforms giving a few larger municipalities greater responsibilities for bringing tasks closer to the citizens open up possibilities for a stronger local democracy, and thus for self-governance of better content. This leads to an analysis of the harmonisation between municipal governance (municipal assembly), citizens and civil society.

Municipal elections take place every four years, and they are the real content of representative democracy. By participating in elections, citizens may hold politicians accountable for their decisions and action. Research has shown that citizens attach great importance to elections of local representatives. In the period 1993–2005, municipal elections had a relatively stable voter turn-out of some 70%, whereas the National Assembly elections had a turn-out of 85%.<sup>17</sup> There was greater voter turn-out at the 2001 municipal elections due to the fact that parliamentary election was held at the same time. In the European context, local election turn-out in Denmark is quite high, but not one of the highest, and is a source of stable support to local democracy, indicating its solid establishment.

A condition for well-functioning local democracy is local identification with a particular political representation. First, there should be a good number of candidates per seat, so that there is competition for municipal self-governance.

Number of candidates in municipal elections:

Year:	Number of candidates:	Number of seats:	Candidates per seat:
1993	17,699	4,703	3.8
1997	17,373	4,685	3.7
2001	16,914	4,647	3.6
2005	11,407	2,522	4.5

Source: Danmarks Statistik, different publications.

<sup>17</sup> Source: Danmarks Statistik, different years.

At municipal elections in 1993, 1997 and 2001 the number of candidates and seats was relatively stable and a decrease was noted in 2005 because the elections in November that year were the first elections for municipalities as they stand as of 1 January 2007 (municipalities with 9–31 seats, and 55 seats in the Copenhagen municipal self-governance). The reform thus led to greater competition in municipal self-governance, with a larger number of candidates per seat. And second, it was decisive that voters could vote for parties whose views they supported, which meant a wide spectrum of parties in municipalities. Unlike municipal elections in 1993, 1997 and 2001, the November 2005 elections had more parties running, which should be attributed to reform-created larger municipalities. This meant greater possibilities than before for matching voters and parties, and fewer undecided voters. Although there were more parties at elections, thus a more versatile political landscape, contrary to expectations, voter turn-out was lower. Greater competition for seats at municipal elections and more political parties thus support well-functioning representative local democracy.

As for creating a new municipal map of Denmark, on the basis of clearly expressed wishes of the citizens, it was decided that from March to June 2005, the people in several “old” municipalities would vote at referenda on the future grouping (or partition) of municipalities, i.e. on municipal affiliation as of 1 January 2007. This vote had a much higher turn-out than municipal elections and it varied between 67.5% and 90%, which was a very high level of political participation and support to local democracy. This was also an expression of strong local affiliation, as this kind of citizen action illustrates the significance they attach to municipal affiliation.

In addition to elections, another form of expression of local democracy is related to the level of interest and knowledge of the citizens in relation to their municipality and municipal policies, as a precondition for “sanctioning” or “rewarding” them on election day. This is the level of interest expressed by citizens themselves, which should include the same tendencies as those expressed by voting at elections, but it can also determine voting patterns on election day. Research has also shown that there is a close link between political interest and different forms of political participation. Thus, 50% to 60% of the respondents are interested in local politics, whereas 64% to 70%

are interested in state policies,<sup>18</sup> which is in both cases lower than the voter turn-out at local and parliamentary elections. This must not necessarily be an expression of problems related to local democracy, but rather a sign that voters want to influence municipal (self)governance, and that they are so satisfied with municipal services and provision, that they see no need to become active in current political work. Although the interest of the citizens in local policies seems to be lower in relation to the size of the municipalities, these inequalities in levels of interest in local politics are explained by personal reasons (age, education, income, local affiliation, such as use of municipal services, etc.). Research has also indicated that local democracy plays a role in people's everyday life, which is of decisive importance for local democracy and for the time between two municipal elections.

Furthermore, certain political knowledge (for example, of municipal political issues, key participants, and particular municipal relations) is the precondition for citizens to be able to take part in municipal political debates and democratic processes. Citizens' knowledge of particular municipal issues is related to municipal self-governance, e.g. municipal assemblies and municipal mayors, and research has shown that citizens generally know the composition of their municipal self-governance. Thus, most of the residents know who their municipal mayor is and which party they belong to, and 2/3 know who holds the majority in the municipal assembly. Citizens' knowledge of general municipal affairs is related, for example, to the question, who is responsible for certain areas and research has shown that citizens generally know who holds the responsibility for which task. Citizens seem to be more familiar with particular municipal issues rather than general ones, although the level of knowledge is considerable in both areas. This shows that citizens are indeed interested in local democracy and that they attach great importance to it.

An important precondition for political unity in a municipality is that citizens share a certain affective affiliation, i.e. they have a sense of identification with other citizens in the same municipality. Research into affiliation (belonging) in different geographical regions has shown that on a scale of 0 to 100, Danes feel to belong to: municipality of residence – 67, district – 55, region of origin

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18 KL and the Ministry of Health and Home Affairs: "Det kommunale selvstyre - på tærsklen til en ny struktur", Copenhagen, 2006, p. 40.

– 67, Denmark – 86, Nordic countries – 67, Europe – 61, etc.<sup>19</sup> Danes, thus, have a fairly high level of affiliation to their municipality as a geographical unit, which is substantiated by an even higher sense of local affiliation (municipal belonging), expressed through their participation at general elections after the recent augmentation of municipalities.

Belonging to a municipality is of importance to the citizens, as they have, or expect to have a sense of connection with their municipality of residence or of future residence. No link can be demonstrated between the size of the municipality and the sense of belonging, but after the reform it will be important to monitor whether the new municipalities will be able to maintain the previous situation, with citizens seeing municipalities as a geographic point of reference.

It can also be concluded that local democracy in municipalities generally works well. This assessment is based, inter alia, on high levels of political participation at local elections, considerable political interest in municipal affairs, their good knowledge and high levels of affiliation with their municipality. Moreover, the recent public sector reform has also created preconditions for a stronger local democracy with better content and better democratic representation.

### Quality and professional sustainability

Professional sustainability in municipalities is of importance for municipal performance, and thus also for the way in which self-governance would develop. The quality of municipal performance influences citizen satisfaction, and thus influences municipal legitimacy as the centre of welfare. Professionally and economically sustainable units mean greater organisational adjustment to future challenges. The next step in ensuring social welfare is related to the content and quality of public services. That is why the future quality reform will focus on how to achieve the best possible quality within the given economic framework. Both quality and professional sustainability are categories which are hard to measure, but they can be elaborated by a series

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19 KL and the Ministry of Health and Home Affairs: "Det kommunale selvstyre - på tærsklen til en ny struktur", Copenhagen, 2006, pp. 43.

of selected indicators.

The notion of professional sustainability in municipalities includes a host of other phenomena and elements related to municipal performance. For example: professional employees and environment, modern technology, purposefully built organisational structure and management, coherent and shared analyses when dealing with related fields, etc. Overall, professional sustainability is an important precondition for municipalities to be able to attain a high level of provision of services to their citizens. Larger municipalities are not in themselves an expression of higher or lower levels of professional sustainability, but they can be of importance for municipal performance. Municipalities have always been in different forms of cooperation aimed at providing the necessary competences through their professional bodies.

An important precondition for measuring professional sustainability is to set goals and follow them up, and in Danish municipalities there is such a trend at the moment that the focus is on outcomes and effects of municipal activity. The basic management functions in municipalities are used for more area, contributing to better identification of goals and better monitoring of results. Most of the new municipalities are expected to work on goals in the following areas:

- general management;
- goals which can be documented in terms of quantity (e.g. at institutional levels);
- goals which are clear enough to be presented in writing (e.g. at management levels).

Municipalities and the state have undertaken different steps to strengthen data and document gathering procedures, particularly in areas related to children, youth and the elderly while working on setting the goals which can and should be monitored.

Opinion polls among some municipal managers on whether there will be greater professional sustainability led to the following conclusions: in smaller municipalities the work is generally good, particularly in relation to basic provisions; so far, there have been no problems with recruitment of personnel and the use of technologies; there could be too few staff to secure professional



quality and maintain expertise in specific areas; small or smaller municipalities may suffer from sick and maternity leave, or departures for other employment, etc. It is also expected that larger municipalities will increase the professional level of their administration and that it will be easier to recruit the desired personnel. It proved to be difficult to quantify the general desires related to technological development in relation to professional sustainability, but also that technological development may increase professional sustainability through greater sharing of knowledge.

Merged municipalities, but some others too, have generally used the reform as a trigger for more basic adjustment of the municipal organisation to the changed or new tasks. Mergers of municipalities were accompanied by new forms of management and new organisation (the company model), primarily by merging municipal administrations within new organisational frameworks of relevance for their development. This led to greater professionalism in municipal performance, achieved, among other things, by the great advantages in management of certain municipal companies and facilitating professional development of key staff. This created more efficient potential for quality provision and a clear link was identified between the assessed potential and the size of the company.

In essence, professional sustainability is attained through constant professional development of municipal staff, inter alia, through professional environments as well as further education. Personnel policy research conducted by Gallup in 2006 showed that 59% of all municipal employees have good or very good possibilities for relevant professional development, and that there are considerable efforts in training and educating municipal staff, and that only 2% of all employees have not taken part in development activities in the past two years.<sup>20</sup>

As for the composition of administrative staff, particularly in administrative services in specific institutions, there is the general impression that there have been changes, so that more and more administrative tasks are performed by highly qualified personnel. This is a reflection of the further professional development of municipal administration, as illustrated by the table below.

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<sup>20</sup> Total responses from 2,856 employees in municipalities. KL and the Ministry of Health and Home Affairs: "Det kommunale selvstyre - på tærsklen til en ny struktur", Copenhagen, 2006, pp. 87-88.

Allocation of staff in municipal administration according to duties, calculated as full-time employees (37 hours per week), for years 2001 and 2006:

	Budget for 2001	% Share for 2001	Budget for 2006	% Share for 2006
Administration staff	32,058	48	26,712	42
Staff with higher education degree	6,631	10	8,684	14
Managerial staff	13,094	20	15,814	26
Other	14,343	22	11,139	18
<b>Total</b>	<b>66,126</b>	<b>100</b>	<b>62,349</b>	<b>100</b>

Source: Det fælleskommunale løndatakontor

Note: Some of the municipalities were not included, and comparison is not based on a fully uniform method in relation to employment categories, so that differences are possible. The total decrease in the number of employees can probably be assigned to the establishment of SKAT in 2005, i.e. transfer of taxation calculation and collection powers to the state (covering 5,220 employees).

In the past few years, decentralised institutions (day-care centres, schools etc.) have been hiring more staff with administrative or similar training. The number of employees with a higher education degree (e.g. a master's degree) in municipalities has grown by 10% in the period 1996–2003, particularly in municipal central administration offices. However, there is no parallel tendency in decentralised institutions.<sup>21</sup>

It can therefore be concluded that targeted and framework governance can be used more widely in municipalities and that managerial staff in municipalities generally expect them to increase the level of professionalism and thus facilitate the recruitment of desired categories of staff. As for the composition of administrative staff, there has been in the past few years a moderate increase in employees with higher education degrees and managerial staff, i.e. there is further professional development of municipal administration.

21 KL and the Ministry of Health and Home Affairs: "Det kommunale selvstyre - på tærsklen til en ny struktur", Copenhagen, 2006, pp. 88-91.

## Customer satisfaction with substantive effects by municipalities

In 2005, the Ministry of Finance and the KL conducted a state-wide consumer satisfaction poll in relation to municipal services in the following areas: day-care, education and the elderly.<sup>22</sup> Results showed a high level of consumer satisfaction – no less than 4/5 were satisfied or very satisfied with the quality of services in these areas. Satisfaction is generated mainly through personal contacts between clients and staff, and it is higher in these three areas rather than in service provided by central municipal administration, such as data processing on contributions and different offers. The importance of direct contacts with institution staff (social relations) is demonstrated in greater satisfaction with services provided by professional staff in day-care facilities and schools, rather than the actual facilities. The same applies for the elderly, where satisfaction with personal care is higher than satisfaction with the actual assistance. But satisfaction in day-care provision is the highest when compared with other areas. Professionalism and social circumstances mean the most when clients assess overall satisfaction, whereas they mean less in physical conditions. For example, when assessing their overall satisfaction with an institution, parents, whose children use day-care facilities, focus on the fact that children feel good and that the staff are dedicated, rather than the actual premises or toys. Thus, users of home-care, when assessing the overall satisfaction with the care they receive, focus more on personal care (personal hygiene, dressing, etc.), rather than practical assistance (cleaning, laundry, shopping.). Both in day-care and in education, there seems to be no link between customer satisfaction and the level of municipal expenditure for those services. Furthermore, the number of staff per child or students per teacher plays no role in the overall satisfaction with a school or an institution, or the satisfaction with the time dedicated to an individual child or pupil. Overall, more resources do not guarantee better quality, whereas professionalism and social dedication of the staff are decisive for the client's perception of the services provided.

In the fields of day-care and education, parents are satisfied while their children are younger. This can be explained by more frequent contacts between parents and educators while their children are younger, and there is more staff per child in nurseries than in kindergartens, which allows more time for parental queries.

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<sup>22</sup> Relevant research done in 2003 as well.

The second possible explanation is that user expectations grow with the time they actually use them, as better knowledge of the service allows the user to be more critical towards it. And the third possible explanation is that the longer the child uses a particular service, there may be an unpleasant experience with the institution.

Few social elements are related to customer satisfaction, so that their overall satisfaction with municipal services in the areas of day-care and the elderly has nothing to do with the social features of the clients such as age, education, income, profession, etc. In the field of care for the elderly, education or housing play no role in client satisfaction. In day-care, age, sex, education or income have no bearing on the overall satisfaction, but it turned out that parents who do not use Danish for at-home communication are generally less satisfied than the parents who do. In the field of education, it turned out that married persons or persons with partners are generally more satisfied with municipal services than single parents, and that parents with better education are generally more satisfied with the services than those with poor education.

Research results in the three areas covered were similar to those from 2003. The same can be said for certain quality indicators, but results on at-home care for 2005 were, on average, slightly below those from 2003.

Although user satisfaction with services in the three areas is generally high, there is still further potential for improvement in some municipalities. Satisfaction may vary considerably from one institution to the next in one and the same municipality. This is illustrated by research in numerous municipalities, on customer satisfaction with certain day-care facilities, schools and care for the elderly within a particular municipality.

However, in general terms, there is a very high level of satisfaction with substantive effects by municipalities, as expressed by service users in the fields of day-care, education and care for the elderly.<sup>23</sup>

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23 KL and the Ministry of Health and Home Affairs: "Det kommunale selvstyre - på tærsklen til en ny struktur", Copenhagen, 2006, pp. 91-97.



Zlata PLOŠTAJNER, M.A.

# SMALL AND SMALLER – WHAT IS THE SMALLEST?

– Local self-governance in Slovenia –



## INTRODUCTION

The local self-governance reform in Slovenia has not been completed yet. From the very beginning, it has been understood as a process launched with the adoption of the Law on Local Self-governance (1993), to be continued towards strengthening local self-governance and creating a decentralised state. But the process has been slow, so that it is still more or less at the very beginning. The fact that the state assumed most of the competences formerly held by municipalities (communes) meant centralisation of the state.

Prior to the local self-governance reform, Slovenia had 62 rather large municipalities (average 321 km<sup>2</sup> and 31,740 residents), divided into more than 1,200 local communities. Municipalities mainly dealt with execution of state competences (85%) and dealt less with original competences of local self-governance. This was more the responsibility of local communities, which focused on dealing with local issues and problems, and their activities in different areas (water supply, roads, kindergartens, etc.) were mainly funded by citizens' contributions. The reform was an attempt to separate local self-governance from the state, which was positive but it ended in another extreme. State administrative competences were separated from local ones and the state assumed numerous responsibilities previously covered by municipalities. This led to a greater centralisation of the state which was supposed to be temporary, as the further local self-governance

reform process followed the principle of decentralisation and restored some of the local self-governance competences. But substantially and functionally, this is where the reform process stopped, and municipalities continued to be crushed into ever smaller units, gradually becoming a problem and an excuse for the state's failure to introduce functional decentralisation.

The most important law in the field of local self-governance is the Law on Local Self-governance (LLS), confirmed by the parliament on 21 December 1993 and subsequently amended several times. Other important laws are the Law on Establishment of Municipalities and Their Territories (1994), Law on Assumption of State Functions Executed by Municipal Bodies until 31 December 1994 (1995), Law on Local Elections (1993) and Law on Financing of Municipalities (1994). Most of these laws were amended several times, pursuant to rulings of the Constitutional Court of the Republic of Slovenia, but also due to changing situations requiring new solutions.

Within a legal system, a municipality is a unit of local self-governance which governs autonomously local affairs of public importance, as set by LLS, specific laws and general acts of the municipality (statute, decrees), as well as state affairs transferred by the state to the level of the municipality with its approval, and secures funds for their execution. The principal criterion for determining original local competences and state competence is set by the constitution, which provides that they include all local affairs responding to the needs of inhabitants of a given municipality which the municipality can discharge itself. First of all, this refers to affairs related to securing normal living conditions as set by Article 13 of LLS. Important original competences are also set by specific laws (land management, roads, communal utility services, public services, environment, social affairs, culture, sports, etc.).

As the scope of work of municipalities in Slovenia is quite narrowly defined (Constitution, Law on Local Self-governance), the system prejudices small municipalities having little influence on the state and thus, they are considered not important partners. This increases the power of the central authorities. This orientation is contrary to the trend in other modern European countries, where local self-governance gains importance and where municipalities are merged in order to assume further competences, following the principle of subsidiarity when discharging public competences.

In its Article 13, LLS sets the criteria for establishing a new municipality. A new municipality is to have a primary school, a primary health care centre or clinic, secured communal utility services (water supply, sewage and waste water

purification system, and power supply), a post office, a library and premises for municipal administration. Prior to the amendments to LLS (2005), a municipality was also to have a grocery store and a bank. The Law provides that a municipality should have no less than 5,000 inhabitants, but due to geographical, historical, economic and other reasons, exceptions are permitted, and a municipality may have no less than 2,000 inhabitants. Pursuant to LLS, a new municipality may be established in different ways:

- *by a merger of two or more neighbouring municipalities into a new one (no such examples);*
- *by severance of a municipality into two or more new ones;*
- *by one part of a municipality, which includes one or more settlements, becoming autonomous;*
- *by a part of one municipality attaching itself to a neighbouring one.*

Parliamentary procedure for establishing a new municipality or changing the territory of an existing one can be initiated by a municipal council (or others who have the right of such initiative), but the parliament is obliged to conduct a local referendum on the issue. Local self-governance reform and reforms in relevant legislation allow the parliament to decide on proposals for new municipalities prior to any local elections. Their number in Slovenia keeps growing, and from 62 it has grown to 147, and in the second wave as many as 192 new municipalities were established. Since the parliament tries to ensure that new municipalities do meet the legally prescribed conditions, only one municipality was established recently (2002). Other proposals did not receive parliamentary support and a constitutional complaint ensued. The Constitutional Court decided that in two instances the parliament failed to observe the legally prescribed conditions which most of the existing municipalities did not meet, and it could not re-instate strict observance of the criteria, as that would put the new proponents at a disadvantage. Accordingly, 17 new municipalities were established in 2006.

Table 1: Establishment of municipalities.

Year of establishment of a municipality	Number of new municipalities
1994	147
1998	45
2002	1
2006	17
Total	210

Source: SURS



There are considerable differences in the size and population of municipalities, indicating that practical fulfilment of the legally prescribed criteria was not decisive for their establishment. As many as 25 municipalities (12%) have less than 2,000 inhabitants, which were supposed to be the lowest threshold for new municipalities even under exceptional circumstances.

Table 2:  
Municipalities by population size.

No. of inhabitants	No. of municipalities	Share in the total (%)	Cumulative
Under 1,000	6	2.86	
1,000-2,000	19	9.05	11.90
2,000-3,000	34	16.19	28.10
3,000-5,000	55	26.19	54.29
5,000-10,000	45	21.43	75.71
10,000-20,000	33	15.71	91.43
20,000-50,000	15	7.14	98.57
50,000-100,000	1	0.48	99.05
Above 100,000	2	0.95	100.00
Total	210	100.00	

Source : SURS, author's calculation

Three quarters of all municipalities have populations of less than 10,000, one half (54 %) less than 5,000, and one quarter (28%) less than 3,000. Also, not all of them have primary schools, primary health care facilities, banks, post offices, etc. In terms of territory, the largest municipality is Kočevje with 550 km<sup>2</sup>, and the smallest one is Odranci with 7 km<sup>2</sup>. In terms of population, the largest urban municipality is Ljubljana, with 266,935 inhabitants, and the smallest is Hodoš with just 342 inhabitants. This situation is also reflected on their financial and administrative capacities, which are very limited in small municipalities and are a hindrance to decentralisation and transfer of state functions to local levels. Local self-governance is equally difficult as small municipalities exhaust their capacities quickly. The population size is directly related to municipal budgets

and administration.

Pursuant to LLS, there are two types of municipalities in Slovenia: urban municipalities and municipalities. An urban municipality is established in urban areas on the basis of unique territorial and infrastructural organisation, utilities and planning needs. A town may be granted the status of an urban municipality (as established by State Parliament) if it has no less than 20,000 residents and no less than 15,000 jobs, of which no less than one half in tertiary and quarterly business activities. Pursuant to LLS, there are 11 urban municipalities in Slovenia.

Prior to the amendments to LLS in 2005, there were legally prescribed requirements for a municipality to become an urban one. In addition to general conditions, there were additional ones such as vocational and secondary schools, divisions of higher education schools and faculties, hospitals, public service networks, telecommunications centres, university and specialised libraries, specialised INDOC centres, cultural activities, etc. The 2005 amendments abolished these special conditions, but the number of urban municipalities has not been increased.

Picture 1:  
Municipal map of Slovenia, 1994.



Picture 2:  
Municipal map of Slovenia, 1998.



Picture3:  
Municipal map in Slovenia, 2006.



*Note: green – new municipalities*

Pursuant to Article 22 of LLS, in addition to local affairs of public importance, an urban municipality also discharges duties falling under state competence related to urban development in compliance with laws regulating specific areas. These are, therefore, original competences of municipalities – those which municipalities execute as their own.

Slovenia introduced local self-governance at just one level, intending to expand it to another one later. The introduction of a second level of local self-governance was envisaged as a voluntary association of municipalities until the 2006 constitutional amendments, yet it rendered no results. The constitution now provides for regions to be decided on by a two-third parliamentary majority. A debate on regionalisation became an important political issue which separated political stakeholders at state and local levels on issues such as the number and size of the regions, their competences and financing methods. The parliament is currently considering proposals for laws on the regionalisation of Slovenia, as the current authorities are intent on establishing 14 regions of different size. In addition to discord in their size, the key shortcomings of current proposals are the inadequately defined competences of the regions and their financing, which is what their optimum size depends on. Professionals are proposing fewer regions (six to eight), though larger, and the state could transfer a considerable number of its powers to such regions, which would also entail important development potentials. However, the current political compromise envisages 14 regions. Such regions of limited resources (human, administrative, financial and economic) question the actual decentralisation of the state.

In the absence of real regions, regional development necessitated the establishment of 12 so-called development regions (former administrative regions or inter-municipal cooperation areas) with relevant regional development programmes. They have no real regional bodies – only a regional mayors' council, which does not deal with issues related to regional development (adoption of programmes, action plans, priority projects submitted for state financing).

## DIVISION OF MUNICIPALITIES INTO URBAN, SUBURBAN AND RURAL ONES

For the purpose of this analysis, municipalities have been divided into three categories: urban, suburban and rural. Urban municipalities are those whose status is recognised as such pursuant to LLS. Those include: Celje, Kopar, Kranj, Ljubljana, Maribor, Murska Subota, Nova Gorica, Novo Mesto, Ptuj, Slovenj Gradec, and Velenje.

Suburban municipalities are firmly connected with urban ones. They were once their integral parts, but reforms led them to become separate units. Still, they remain closely connected to urban municipalities and remain their functional parts.

Rural municipalities are all others and they can be divided into large, medium and small, on the basis of their population size. Small municipalities are those with fewer than 5,000 inhabitants, which was the lowest establishment threshold at the beginning of reforms. Medium ones have between 5,000 and 10,000 inhabitants, and the ones with more than 10,000 inhabitants are categorised as large.

Table 3:  
Types of municipalities in Slovenia.

Type of municipality	No. of municipalities	%
Urban	11	5
Suburban	43	20
Rural large	17	8
Rural medium	37	18
Rural small	102	49
Total	210	100

Source: author's calculation

There are 11 urban municipalities in Slovenia, i.e. just 5% of the total number. One fifth are suburban, 8% are large rural ones, 18% are medium rural ones, and almost one half (49%) are small rural ones.

For the purpose of analysis, we selected the region of Savinjska, one of the largest in Slovenia and a region with two urban municipalities. This region has a versatile composition of municipalities and is a good illustration of the situation in Slovenia. At the same time, it provides for good analysis of functional links between municipalities, their needs and readiness to cooperate – a necessity for development of small municipalities.

Table 4:  
Types of municipalities in the region of Savinjska.

Type of municipality	Municipalities	% of municipalities	No. of inhabitants	% of population of the region	Territory (km <sup>2</sup> )	% of territory of the region
Urban	Celje, Velenje	6	82,258	32	178.4	8
Suburban	Šoštanj, Vojnik, Štore, Dobrna, Šmartno ob Paki	16	25,646	10	199.0	9
Rural large	Žalec, Šentjur, Slovenske Konjice, Laško, Rogaška Slatina	16	77,827	30	706.2	31

Table 4:  
Types of municipalities in the region of Savinjska.

Type of municipality	Municipalities	% of municipalities	No. of inhabitants	% of population of the region	Territory (km <sup>2</sup> )	% of territory of the region
Rural medium	Šmarje pri Jelšah, Mozirje, Zreče, Polzela, Braslovče	16	32,836	13	347.2	15
Rural small	Luče, Radeče, Prebold, Kozje, Podčetrtek, Rogatec, Ljubno, Nazarje, Gornji Grad, Vransko, Vitanje, Tabor, Bistrica ob Sotli, Dobje, Solčava	46	38,185	15	851.4	37
Total	32 municipalities	100	256,752	100	2,282.3	100

Source: SURS, author's calculation

The municipal structure in Savinjska is slightly different from the national structure, but the share of small municipalities is similar, whereas the share of large rural municipalities is higher. Most of them are small rural municipalities (15), and there are five medium and large rural and suburban ones respectively. There are two urban municipalities, which generates some rivalry between them. One third of the total population lives in urban municipalities, which make up 8% of the territory and 10% of the population live in suburban municipalities, which make up 9% of the total territory. There are large rural municipalities, making up less than one third of the territory and inhabited by one third of the population. Statistics show that only one quarter of the population lives in medium and small rural municipalities, of which 13% live in medium ones and 15% in small ones,

despite the fact that they make up more than one half of the entire territory of the region (52%, of which small, 37% , and medium, 15%).

The level of social and economic development of municipalities varies and can be analysed on the basis of their type. The least developed are the small rural ones, which explain their desire to become autonomous. The municipal funding system made the establishment of small municipalities beneficial for less developed areas. Namely, an autonomous small municipality received greater financial adjustment from the state than a large municipality would have received if the small one had stayed within it. But small municipalities easily reached their limit and had no resources to prepare or execute significant development activities or projects. It was thus difficult for them to obtain European development funds as they mainly support large regional projects.

Urban and suburban municipalities are the more developed parts. The suburban municipality of Štore is a negative example, as it is still undergoing economic restructuring because it was previously connected solely to the local steel mill. As for the small rural ones, the Nazarje municipality is far above the average. It is the seat of a very successful factory, formerly part of the “Gorenje” appliances maker, and now owned by “Bosch-Siemens”. As for medium rural ones, Zreče should be mentioned as it is the seat of “Unior” (tools manufacturer) and a tourism centre (spa, winter resort), far above the average level of development of such municipalities.

An additional difficulty in small rural municipalities is the low average income of their inhabitants. The taxation basis for income tax is the lowest in small rural municipalities, which means that their average income is also lower than in other municipalities. There is also a higher unemployment rate. This exacerbates the situation because the population has no resources to develop business activities or individual entrepreneurship.



Table 5:  
Basic data on selected municipalities.

Municipality	Type of municipality	Year of establishment	Territory (km <sup>2</sup> )	Population	
Celje	Urban	1994	94.9	48,607	
Velenje	Urban	1994	83.5	33,707	
Dobrna	Suburban	1998	31.7	2,097	
Šmartno na Paki	Suburban	1998	18.2	3,035	
Šoštanj	Suburban	1994	95.6	8,450	
Štore	Suburban	1994	28.1	4,152	
Vojnik	Suburban	1998	75.3	8,098	
Luče	Rural small	1998	109.5	1,605	
Bistrica na Sotli	Rural small	1998	31.1	1,437	
Dobje	Rural small	1998	17.5	1,013	
Gornji Grad	Rural small	1994	90.1	2,605	
Kozje	Rural small	1994	89.7	3,349	
Ljubno	Rural small	1994	78.9	2,707	
Nazarje	Rural small	1998	43.4	2,657	
Podčetrtek	Rural small	1998	60.6	3,328	
Prebold	Rural small	1998	40.7	4,586	
Rogatec	Rural small	1994	39.6	3,244	
Solčava	Rural small	1998	102.8	542	
Tabor	Rural small	1998	34.8	1,487	
Vitanje	Rural small	1994	59.4	2,337	
Vransko	Rural small	1998	53.3	2,525	

Municipal budget for 2006						Underdevelopment index
Revenue	Expenditure	Rev./exp. difference	Salaries and other staff costs	% for salaries		
9,802,074	10,850,784	-1,048,710	585,797	5.98	83.88	
7,429,431	7,925,513	-496,081	427,855	5.76	42.05	
362,769	387,196	-24,427	35,708	9.84	92.23	
400,767	436,087	-35,320	21,627	5.40	68.25	
1,639,243	1,547,023	92,220	56,049	3.42	55.49	
602,610	650,870	-48,260	30,519	5.06	102.08	
1,297,862	1,660,055	-362,193	77,887	6.00	85.94	
314,948	335,946	-20,998	18,532	5.88	149.24	
342,151	349,307	-7,156	19,593	5.73	150.98	
132,710	125,873	6,837	15,536	11.71	130.30	
425,209	421,493	3,716	22,529	5.30	117.62	
564,607	570,194	-5,587	37,667	6.67	149.74	
459,830	462,444	-2,614	27,204	5.92	123.15	
425,701	429,277	-3,576	20,897	4.91	57.12	
760,515	844,468	-83,953	27,902	3.67	121.89	
755,750	764,091	-8,341	33,556	4.44	126.58	
560,588	618,966	-58,378	39,430	7.03	101.17	
156,944	168,578	-11,634	21,426	13.65	183.76	
318,717	317,795	922	20,759	6.51	126.36	
325,424	355,066	-29,642	34,815	10.70	100.90	
369,686	351,874	17,812	27,662	7.48	124.06	

Table 5:  
Basic data on selected municipalities.

Municipality	Type of municipality	Year of establishment	Territory (km <sup>2</sup> )	Population	
Braslovče	Rural medium	1998	54.9	5,101	
Mozirje	Rural medium	1998	83.6	6,363	
Polzela	Rural medium	1998	34.0	5,521	
Šmarje pri Jelšah	Rural medium	1994	107.7	9,681	
Zreče	Rural medium	1994	67.0	6,397	
Laško	Rural large	1998	197.5	13,800	
Rogaška Slatina	Rural large	1994	71.5	10,854	
Slovenske Konjice	Rural large	1994	97.8	14,006	
Šentjur	Rural large	1998	222.3	18,603	
Žalec	Rural large	1998	117.1	20,850	
Slovenia			20,273	2,003,358	

Source: SURS, UMAR, author's calculation

Municipal budget for 2006						Underdevelopment index
Revenue	Expenditure	Rev./exp. difference	Salaries and other staff costs	% for salaries		
717,816	757,883	-40,067	38,002	5.29	98.21	
1,202,388	1,191,436	10,952	47,157	3.92	81.97	
759,837	798,173	-38,336	33,060	4.35	82.17	
1,655,626	1,650,342	5,284	114,242	6.90	111.48	
1,185,261	1,300,619	-115,358	76,276	6.44	51.55	
2,190,800	2,476,810	-286,010	141,521	6.00	88.73	
1,925,394	1,954,551	-29,157	95,896	4.98	81.19	
2,000,912	1,958,987	41,925	86,380	4.32	78.01	
3,160,832	3,219,420	-58,588	138,644	4.39	97.62	
3,051,465	3,127,012	-75,547	149,966	4.91	92.93	
382,258,727	390,054,177	-7,795,450	19,820,657	5.19	100.00	

Table 6:  
Basic economic data on selected municipalities.

Municipality	Unemployment			Average gross monthly salary		Gross income tax base	
	No. of unemployed persons	%	Index (Slo=100)	In SIT	Index (Slo=100)	In SIT	Index (Slo=100)
Celje	3,272	15.4	144.7	269,171	100.6	1,251,086	102.6
Velenje	1,828	12	113.4	247,610	92.5	1,358,783	111.4
Vojnik	313	9.6	90.7	258,658	96.7	1,084,503	89
Štore	215	13.2	124.1	234,519	87.6	954,158	78.3
Dobrna	91	10.8	101.7	237,399	88.7	1,084,503	80.2
Šoštanj	315	9	85.2	269,226	100.6	1,168,526	95.8
Šmartno na Paki	96	8.4	79.6	203,604	76.1	1,239,481	101.7
Luče	101	15.2	143.7	223,554	83.5	708,866	58.1
Radeče	217	10.8	102.3	208,142	77.8	1,099,037	90.1
Nazarje	112	9.5	89.8	196,070	73.3	991,380	81.3
Ljubno	159	14.2	134.2	203,991	76.2	842,556	69.1
Gornji Grad	89	9.1	86.1	211,362	79	846,237	69.4
Solčava	28	15.2	142.9	213,089	79.6	730,731	59.9
Prebold	406	17.3	163.1	204,199	76.3	1,028,892	84.4
Tabor	101	14.5	136.6	234,984	87.8	823,569	67.6
Vransko	177	14.3	134.6	231,997	86.7	827,617	67.9
Vitanje	90	9.1	85.4	211,447	79	852,933	70
Dobje	65	16.3	153.8	251,832	94.1	791,215	64.9

Source: SURS, UMAR

Municipality	Unemployment			Average gross monthly salary		Gross income tax base	
	No. of unemployed persons	%	Index (Slo=100)	In SIT	Index (Slo=100)	In SIT	Index (Slo=100)
Rogatec	218	15.1	141.9	201,588	75.3	847,176	69.5
Podčetrtek	204	13.7	129.5	209,548	78.3	833,253	68.3
Kozje	211	16	151.1	191,689	71.6	792,854	65
Bistrica na Sotli	97	14.3	134.7	204,636	76.5	767,811	63
Mozirje	318	10.5	98.9	248,997	93.1	1,078,185	88.4
Polzela	281	11.3	106.7	181,816	68	1,108,967	91
Braslovče	282	11.8	111.1	216,851	81	1,097,270	90
Zreče	117	7.9	74.9	229,135	85.6	1,042,588	85.5
Šmarje pri Jelšah	599	14.8	139.8	245,206	91.6	932,639	76.5
Laško	673	11.9	112	255,904	95.6	1,079,127	88.5
Žalec	1,488	14.8	139.9	233,809	87.4	1,128,399	92.6
Slovenske Konjice	708	11.5	108.2	223,381	83.5	1,067,856	87.6
Šentjur	1,051	12.8	120.9	229,904	85.9	1,021,595	83.8
Rogaška Slatina	673	13.1	123.3	202,269	75.6	982,427	80.6
Region of Savinjska	14,595	12.9	121.8	244,165	91.3	1,112,183	91.2
Slovenia	90,728	10.6	100	267,571	100	1,219,196	100

## Municipal Competences

The *Law on Local Self-governance* divides municipal competences into original and transferred ones. Original competences include those which are set by municipal statutes and other acts and are a standard element of local self-governance (communal utility services, local public services, etc.) and local competences of public importance set by local legislation in municipalities. Transferred competences include those which the state transfers to municipalities to perform them on behalf of the state. The state must provide the required funding.

**Original competences.** The municipality discharges local competences of public importance (original competences) as defined by the Law on Local Self-governance and relevant regulations, or defined by its own general acts. In order to meet the needs of its populations, the municipalities:

- manage municipal property;
- create conditions for economic development of municipalities and perform legally prescribed competences in the fields of catering, tourism and agriculture;
- plan spatial development in compliance with the law and discharge their competences in the fields of construction and public services of management of construction land;
- create condition for housing construction and increase social housing facilities;
- regulate, manage and provide for local public services within their competences;
- manage the protection of air, soil, water sources, noise, collection and disposal of waste, and other activities within environmental protection;
- regulate and maintain water and power supply facilities;
- construct, maintain and regulate local public roads, recreation and other public facilities in compliance with the law, and regulate traffic within the municipality and provide local police services;
- organise fire protection and rescue services;
- organise rescue and aid services for natural or man-made disasters;
- organise community police and secure order in the municipality,
- organise the functioning of funeral services and cemeteries;
- improve social welfare services, child and family protection, protection for socially vulnerable, disabled and elderly persons;
- support development of adult education, of importance for municipal

development and quality of life of their residents;

- improve developmental, educational, societal and other activities in their territory;
- promote development of sports and recreation;
- improve cultural and artistic activities, promote cultural programmes and secure education and library activities, and cares for cultural heritage in its territory, in compliance with the law;
- provide control for local events;
- organise municipal administration;
- set misdemeanour penalties and fines for offences against municipal regulations, provide inspection of enforcement of municipal regulations and other acts setting their competences, unless otherwise set by law;
- adopt municipal statutes and other general acts,
- set other local competences of public importance (Article 21, LLS).

Municipalities collect and process the data needed for their affairs, statistics, records and analyses. This entails personal data: citizens' personal identification number, name, date and place of birth, data on private vehicles, residence address (permanent or temporary), etc. (Article 21, LLS).

**Transferred competences.** The state may transfer to municipalities certain affairs which normally fall within its own competence. Until the 2006 constitutional amendments, such transfers required municipal approval, which is no longer the case. Reasons for such transfers are more rational and more functional discharges of competences at the municipal level, particularly in the areas of:

- organisation of public suburban transport;
- working hours of catering facilities;
- construction and survey services;
- networks of public schools, general high-schools and other schools;
- public health facilities at secondary level.

Individual state-level competences may be transferred to any municipality: urban, municipalities in certain areas, or individual ones. The state provides relevant funding for such transferred duties (Article 24, LLS). Therefore, in addition to their regular local duties, local authorities may also perform duties falling within state competence.

Although certain areas normally fall under local self-governance only, the stat



plays an important role in such areas as well. An example is pre-school education, normally falling within the sole competence of local self-governance. But it is the state that sets salary level standards: premises, equipment, number of children per age-group, staff qualification, promotion requirements, etc. It is thus the municipalities that have to finance kindergartens with no real influence over their work or expenditure. Therefore, the municipalities proposed that the state should also cover the salaries. That would be similar to the situation in primary education, where the competence is divided between the state (teachers' salaries) and local self-governance (running and maintenance costs, school transport).

### Practical Implementation Of Original Competences In Selected Municipalities

Practical implementation of original competences in municipalities depends primarily on the existence of needs for certain services and the capacity of municipalities to meet those needs. The constitution and the LLS set original competences as services responding to local needs of the population residing within municipal territory. This definition may lead to considerable differences in defining original competences, depending on the size of the municipality.

Small municipalities cannot meet some of the needs since economies of scale apply to provision of services, and they can only be provided in larger municipalities. Examples include communal utilities (such as water supply), as well as social activities (such as adult education). That is why it is wrong to define original competences on the basis of the size of units of local self-governance. It is better to set original competences first, and then determine the size of units (population, territory). Also, local self-governance reform must not be or become a spontaneous process, as it has been in Slovenia to a large extent because almost all control over the process has been lost. It should be a process with clearly defined aims and ways of attaining those aims. If the aim of decentralisation is to strengthen local self-governance, this aim cannot be attained with small, powerless municipalities which cannot be on equal footing with state authorities. And the issue of participation of the local population in local decision-making processes can be resolved by the internal decentralisation of municipalities. A small municipality does not guarantee local democracy because a single group can hold all the power (particularly if it also holds the economic power) and exclude everyone else from decision-making. Civil society is usually better organised in larger municipalities, so that it is not easy for a single interest-based group to take control.

Our analysis also showed that there are great differences in how municipalities meet local needs and that it is harder for small municipalities to respond to such needs. That is why they need to cooperate with neighbouring municipalities in order to provide such services.

Table 7:  
Real discharge of competences – social activities.

Municipality	Pre-school education	Primary school	Adult education (community college)	Primary edu. for persons w/special needs	Culture (amateur/professional)	Sports (amateur/professional)
Celje	Yes	Yes	Yes	Yes	Yes	Yes
Velenje	Yes	Yes	Yes	Yes	Yes	Yes
Vojnik	Yes	Yes	No	No	Yes/No	Yes/No
Štore	Yes	Yes	No	No	Yes/No	Yes/No
Dobrna	Yes	Yes	No	No	Yes/No	Yes/No
Šoštanj	Yes	Yes	No	No	Yes/No	Yes/No
Šmartno na Paki	Yes	Yes	No	No	Yes/No	Yes/No
Luče	Yes	Yes	No	No	Yes/No	Yes/No
Radeče	Yes	Yes	No	In part	Yes/No	Yes/No
Nazarje	Yes	Yes	No	No	Yes/No	Yes/No
Ljubno	Yes	Yes	No	No	Yes/No	Yes/No
Gornji Grad	Yes	Yes	No	No	Yes/No	Yes/No
Solčava	Yes	Yes	No	No	Yes/No	Yes/No
Prebold	Yes	Yes	No	No	Yes/No	Yes/No
Tabor	Yes	Yes	No	No	Yes/No	Yes/No
Vransko	Yes	Yes	No	No	Yes/No	Yes/No

Municipality	Pre-school education	Primary school	Adult education (community college)	Primary edu. for persons w/special needs	Culture (amateur/professional)	Sports (amateur/professional)
Vitanje	Yes	Yes	No	No	Yes/No	Yes/No
Dobje	No	Yes	No	No	Yes/No	Yes/No
Rogatec	Yes	Yes	No	No	Yes/No	Yes/No
Podčetrtek	Yes	Yes	No	In part	Yes/No	Yes/No
Kozje	Yes	Yes	No	No	Yes/No	Yes/No
Bistrica na Sotli	Yes	Yes	No	No	Yes/No	Yes/No
Mozirje	Yes	Yes	No	In part	Yes/No	Yes/No
Polzela	Yes	Yes	No	No	Yes/No	Yes/No
Braslovče	Yes	Yes	No	No	Yes/No	Yes/No
Zreče	Yes	Yes	No	No	Yes/No	Yes/No
Šmarje pri Jelšah	Yes	Yes	Yes	In part	Yes/No	Yes / In part
Laško	Yes	Yes	Yes	In part	Yes/No	Yes / In part
Žalec	Yes	Yes	Yes	Yes	Yes/No	Yes / In part
Slovenske Konjice	Yes	Yes	Yes	In part	Yes/No	Yes / In part
Šentjur	Yes	Yes	Yes	In part	Yes/No	Yes / In part
Rogaška Slatina	Yes	Yes	Yes	In part	Yes/No	Yes / In part

Source: RA Kozjansko survey, 2007.

There are differences among municipalities in terms of societal activities. The key factor is the actual size. All the municipalities have a primary school and a kindergarten (with the exception of Dobje). Eleven municipalities, both urban ones, all the large rural ones, one suburban and three medium rural ones have primary health care centres. Most of them have a clinic, but five small rural municipalities have none, although it was one of the legally prescribed criteria. Community colleges, a very important adult education institution, exist in urban and large rural municipalities. Some community colleges cover several municipalities so that they support their work jointly though to a limited extent. The situation with most schools is the same.

Table 8:  
Real discharge of competences – public services.

Municipality	Public transport	LER	Spatial development	Local road maintenance	Compulsory public services	Fire and rescue
Celje	Yes	Yes	Yes	Yes	Yes	Yes
Velenje	Yes	Yes	Yes	Yes	Yes	Yes
Vojnik	No	Yes	Yes	Yes	Yes	Yes
Štore	No	In part	Yes	Yes	Yes	Yes
Dobrna	No	No	Yes	Yes	Yes	Yes
Šoštanj	No	Yes	Yes	Yes	Yes	Yes
Šmartno na Paki	No	In part	Yes	Yes	Yes	Yes
Luče	No	No	Yes	Yes	Yes	Yes
Radeče	No	In part	Yes	Yes	Yes	Yes
Nazarje	No	In part	Yes	Yes	Yes	Yes
Ljubno	No	In part	Yes	Yes	Yes	Yes
Gornji Grad	No	In part	Yes	Yes	Yes	Yes

Municipality	Public transport	LER	Spatial development	Local road maintenance	Compulsory public services	Fire and rescue
Solčava	No	No	Yes	Yes	Yes	Yes
Prebold	No	In part	Yes	Yes	Yes	Yes
Tabor	No	No	Yes	Yes	Yes	Yes
Vransko	No	Yes	Yes	Yes	Yes	Yes
Vitanje	No	In part	Yes	Yes	Yes	Yes
Dobje	No	No	Yes	Yes	Yes	Yes
Rogatec	No	Yes	Yes	Yes	Yes	Yes
Podčetrtek	No	In part	Yes	Yes	Yes	Yes
Kozje	No	In part	Yes	Yes	Yes	Yes
Bistrica na Sotli	No	No	Yes	Yes	Yes	Yes
Mozirje	No	Yes	Yes	Yes	Yes	Yes
Polzela	No	In part	Yes	Yes	Yes	Yes
Braslovče	No	In part	Yes	Yes	Yes	Yes
Zreče	No	In part	Yes	Yes	Yes	Yes
Šmarje pri Jelšah	No	Yes	Yes	Yes	Yes	Yes
Laško	No	Yes	Yes	Yes	Yes	Yes
Žalec	No	Yes	Yes	Yes	Yes	Yes
Slovenske Konjice	No	Yes	Yes	Yes	Yes	Yes
Šentjur	No	Yes	Yes	Yes	Yes	Yes
Rogaška Slatina	No	Yes	Yes	Yes	Yes	Yes

Source: RA Kozjansko survey.

The situation also differs in the area of compulsory public services. All the municipalities are competent for: water supply, separation and processing of sewage, waste management, management and maintenance of local roads, cleaning of public areas and fire services. These services function differently. Utility services (water supply, sewer, communal waste) are partly provided through public utility enterprises with seats in former municipalities, covering all the newly established municipalities in their territories. There are exceptions, as two municipalities established their own departments (Zreče and Dobje) and three established their own enterprises (Gornji Grad, Vitanje, Radeče). But maintaining former public enterprises proved to be the best solution, since they have the equipment and the personnel for quality services, and they are also important systems applying economies of scale. Waste management is dealt with regionally through a modern waste disposal site in Celje. It is soon to be completed with considerable financial assistance from the EU because municipalities were able to agree on this very important project. Most of the municipalities joined this project, and others are joining as they have no other option. Namely, local disposal sites do not meet EU standards and must be shut down. Fire services are generally well organised through voluntary fire brigades, with equipment funded by municipalities. Public urban and suburban transport is connected with urban municipalities, Celje and Velenje.

Municipalities may offer additional public services if they so decide and differences in this proved to be greater than in compulsory services. Management of public market places, gas supply, heating services etc. are provided as public services in just a few municipalities, mainly urban and large rural ones, and small ones only provide the services prescribed by law.

## MUNICIPAL BODIES

Pursuant to LLS, municipal bodies are the municipal council, municipal mayor and the supervisory board. The municipal council is the highest decision-making body which adopts legal acts and other decisions related to the scope of work of a municipality. It comprises 7 to 45 members, depending on the population size. This council supervises the work of the mayor and the municipal administration in relation to enforcement of its decisions. The council may establish different committees and boards as its working or advisory bodies. Committee or board

members may include members of the municipal council as well as other citizens. Council members must be at least on behalf of the body, and they are non-professional office holders.

The mayor represents and acts on behalf of the municipality, represents the municipal council and chairs its sessions with no right of vote. He/she proposes to the council the annual budget, financial reports and other acts within municipal competence. He/she is responsible for lawfulness and the constitutionality of decisions adopted and he/she may declare the enforcement of decisions deemed to be contrary to the constitution or any law. In such a case, he/she must initiate proceedings for the council to change its decisions, or proceedings before bodies supervising the legality of municipal work.

Every municipality has at least one deputy mayor elected by the mayor from among the council members. The scope of work of the deputy mayor is set by the mayor. The mayor and deputy mayors may be professionally engaged or non-professional office holders, as decided by the mayor.

The supervisory board is the highest body of control over municipal spending. The board supervises the management of municipal property, budget expenditure and financial affairs of all budget beneficiaries. Members of the supervisory board are non-professional office holders elected by the municipal council.

Municipal officials engaged professionally (mayor, deputy mayors) are entitled to a salary, and the salary levels, set by state legislation, depend on the population size. Mayors' salaries in smaller municipalities (up to 3,000 residents) are approximately three times lower than those of mayors in municipalities with population of more than 100,000.

If the mayor and deputy mayors are non-professional office holders, they receive remuneration amounting to one half of the salary they would receive as professional officials. Municipal council members receive remuneration for working in the council or its bodies, but it is limited to an annual maximum of 15% of a mayor's salary.

## MUNICIPAL FINANCING

Slovenia recognises the constitutional principle of financial autonomy of local self-governance, and municipalities are funded from their own sources. Still, practice has shown that municipal revenues alone are insufficient for all the duties of local self-governance, and fiscal decentralisation is necessary to secure greater financial autonomy for local levels of governance. A high level of fiscal centralisation is illustrated by a relatively low local share in the overall public finance, amounting to some 12%, and the local financial share in the GDP is 5.17% (2002).

Municipalities which cannot secure full funding are assigned additional funds by the state, in compliance with legally prescribed principles and standards. The municipal funding system, derived from the constitutional principle, is based on calculations of relevant annual spending per municipality. It takes into account its territory, local road network, population, population under 15 and over 65 years of age.

The Ministry of Finance calculates the funds municipalities are to collect in compliance with applicable legislation on taxation rates. Municipalities which cannot fund their spending with their own revenues receive financial adjustment from the state, as a general, non-earmarked financial transfer from the state budget. Upon proposal of the Ministry of Finance and no later than on 30 September of the current year, the government informs municipalities on the amount of financial adjustment for the coming year so that they can proceed with their own budget planning.

Municipal revenues include:

- *personal income tax (35% of taxes for municipal residents);*
- *inheritance and gift tax;*
- *fortune games income tax;*
- *property tax;*
- *property trade tax;*
- *other taxes set by law;*
- *administrative fees;*
- *special taxes for the use of fortune games devices outside assigned gaming facilities;*
- *compensation for the use of construction land;*
- *local tourism fees;*



- *communal utility fees;*
- *other local fees;*
- *compensation for changing the use of agricultural land and forests;*
- *compensation and taxes for degradation or utilisation of spaces and environmental pollution;*
- *administration revenues;*
- *revenues set by other acts.*

Table 9:  
Financing of selected municipalities in 2005.

Municipality	Revenues - total	Revenues from state budget	% of state budget revenues	Ranking in SLO
Celje	9,596,114,000	1,139,920,000	11.88	162
Velenje	5,517,850,658	283,175,581	5.13	176
Dobrna	336,807,000	127,889,000	37.97	78
Šmartno na Paki	390,420,000	72,926,000	18.68	145
Šoštanj	1,510,928,000	246,953,000	16.34	155
Štore	634,414,000	193,545,000	30.51	106
Vojnik	1,332,892,000	435,969,000	32.71	100
Luče	256,814,000	187,079,000	72.85	7
Bistrica na Sotli	275,849,369	168,983,722	61.26	21
Dobje	120,548,000	75,168,000	62.36	17
Gornji Grad	402,264,000	228,883,000	56.90	26
Kozje	539,851,000	340,741,000	63.12	15
Ljubno	427,219,000	275,369,000	64.46	14
Nazarje	362,604,000	140,998,000	38.88	69
Podčetrtek	666,851,000	300,255,000	45.03	52
Prebold	633,795,000	163,326,000	25.77	120

Municipality	Revenues - total	Revenues from state budget	% of state budget revenues	Ranking in SLO
Rogatec	547.469.000	269.717.000	49,27	42
Solčava	161.183.000	129.512.000	80,35	3
Tabor	265.264.000	179.026.000	67,49	11
Vitanje	319.573.000	199.067.000	62,29	18
Vransko	361.975.000	194.236.000	53,66	30
Mozirje	865.971.000	329.580.000	38,06	76
Polzela	693.979.000	167.517.000	24,14	124
Šmarje pri Jelšah	1.418.678.000	634.448.000	44,72	53
Zreče	1.012.091.000	317.762.000	31,40	102
Laško	2.011.006.000	705.182.000	35,07	92
Rogaška Slatina	1.511.615.000	512.458.000	33,90	99
Slovenske Konjice	2.150.033.000	887.673.000	41,29	62
Šentjur	2.788.855.100	1.160.164.000	41,60	60
Žalec	2.705.949.000	629.640.000	23,27	128
Slovenija			18,81	

Source: FUI

Municipalities are entitled to additional funding for co-financing investments and other commitments if there is state interest for it. The amount of such co-financing depends on the personal income tax collected per capita, so that possible co-financing varies from 70% for the poorest municipalities to 10% for the wealthiest. The state has recently been providing additional financial incentives for the establishment of joint municipal bodies for certain local competences. The state thus covers 50% of the operating costs of such bodies.

A municipality may also borrow, but within legal limits. Any borrowing requires an approval of the Ministry of Finance, thus preventing excessive municipal borrowing. Municipal debt includes also all the guarantees the municipality issues for its public enterprises or institutions for their own borrowing.

The annual financing system for relevant spending is more suited for smaller municipalities, as it covers the basic needs of the population. Urban and large municipalities have high costs, as they provide other services often used by residents of other municipalities (education, sports) and must usually bear the burden themselves, making provisions in other areas more difficult. Also, because of this method of calculation, municipalities do not have a systemic source of financing for their development activities, and without that they will not be able to provide long-term quality in living and working conditions of their inhabitants.

Table 10:  
Cost of execution of compulsory competences by type of municipality.

		Cost per capita	% in relevant spending
1.	Financing of the system (council, mayor, administration, etc.)	12,524	18.15%
2.	Financing of municipal road maintenance (local and other municipal) and other collective communal spending (public areas, etc.)		
	- urban municipalities	10,607	15.96%
	- other municipalities	9,084	12.90%
	- average	9,629	13.94%
3.	Education and pre-school care with school transport		
	- urban municipalities	21,681	32.61%
	- other municipalities	17,561	24.96%
	- average	19,149	27.75%

		Cost per capita	% in relevant spending
4.	Cultural activities (libraries and other culture-related activities and institutions)		
	- urban municipalities	8,459	12.72%
	- other municipalities	3,656	5.19%
	- average	5,374	7.79%
5.	Health		
	- urban municipalities	1,278	1.92%
	- other municipalities	1,269	1.80%
	- average	1,272	1.84%
6.	Sports		
	- urban municipalities	3,679	5.53%
	- other municipalities	1,717	2.44%
	- average	2,419	3.51%
7.	Social care		
	- urban municipalities	3,593	5.41%
	- other municipalities	3,901	5.54%
	- average	3,791	5.49%
8.	Spatial development and protection (spatial planning and other measures)		
	- urban municipalities	1,148	1.73%
	- other municipalities	1,122	1.59%
	- average	1,131	1.64%
9.	Fire natural disaster protection		
	- urban municipalities	1,380	2.08%
	- other municipalities	1,395	1.98%

Source: Železnik, M.: *Problematika finansiranja opština u Sloveniji*, 2002.

## ADMINISTRATIVE CAPACITIES OF MUNICIPALITIES

In 2006, municipal administrations had a total of 4,184 employees, of whom 2,290 were officers, 1,572 technical staff, 10 interns and 213 in specific sector departments established within municipal administrations. The largest are administrations of urban municipalities. Thus, Ljubljana employs 550 persons, Maribor 249, Koper and Celje 125, etc. The municipality of Jezersko is a special example, as it has no employees in administration.

Table 11.  
Number of employees by municipality.

Total employees	No. of municipalities
0–5	46
5–10	51
10–15	29
15–20	16
20–30	17
30–50	20
50–100	10
100–200	2
above 200	2

Table 12.  
Number of officers by municipality.

Total officers	No. of municipalities
0–5	93
5–10	41
10–15	16
15–20	20
20–50	15
50–100	6
above 100	2

Source: SVLR, author's calculation

The number of inhabitants per employee also differs considerably. On average, in municipal administration in Slovenia, there are 479 inhabitants per one employee. However, differences between municipalities are huge. Thus, in the Šenčur municipality there are 1,126 inhabitants per one employee, in the Rogaševci municipality there are 1,111 per employee, and in the Brezovica municipality there are 1,103. The lowest number per employee is in the Kobilje municipality, with only 91 inhabitants per employee, 114 in Kostel and 115 in Hodoš. In Ljubljana, the largest municipality, there are 485 inhabitants per one employee and 446 in Maribor. There are also considerable differences between large municipalities of similar size.

Table 13:  
Number and structure of employees in the region of Savinjska.

Municipality	Education level						Total
	VIII	VII	VI	V	IV	Other	
Celje	4,5	43,5	22,5	43,0	8,0	3,0	124,5
Velenje	3,0	39,0	13,0	29,0	6,0	1,0	91,0
Šoštanj		6,0	1,6	5,0	1,0		13,6
Dobrna		5,0	1,0	1,0	2,0	1,0	10,0
Šmartno ob Paki		2,0	1,0	1,0			4,0
Štore		2,0	0,5	2,0	1,0	1,0	6,5
Dobje		2,0			1,0	2,0	5,0
Gornji Grad		1,0		3,0			4,0
Kozje		4,0	1,0		1,0	3,0	9,0
Bistrica ob Sotli			1,0	2,0			3,0
Ljubno		3,0	1,0	1,0		1,0	6,0
Luče		1,0	1,0	1,0			3,0
Nazarje		1,0	1,0	1,0			3,0
Podčetrtek			2,0	2,0			4,0
Prebold	1,0	1,0	1,0	2,0			5,0
Rogatec		3,0	1,0	3,0		1,0	8,0
Tabor		1,0		2,0		1,0	4,0
Vitanje	1,0	2,0	1,0	1,0			5,0
Vrankso		1,0		4,0			5,0
Polzela		1,0	2,0	3,0			6,0
Braslovče		5,0		1,0			6,0
Mozirje	1,0	2,0		4,0	1,0	1,0	9,0
Vojnik		6,0	3,0	3,0	4,0		16,0
Zreče	1,0	5,0	1,0	6,0	2,0		15,0

Municipality	Education level						Total
	VIII	VII	VI	V	IV	Other	
Laško		15,0	4,0	10,0	3,0		32,0
Šmarje pri Jelšah	1,0	11,0	4,0	8,0	2,0		26,0
Slovenske Konjice		12,0		5,0	2,0	1,0	20,0
Žalec		13,0	7,0	9,0	1,0	4,0	34,0
Šentjur		16,0	6,0	6,0	2,0		30,0
Rogaška Slatina	1,0	6,0	4,0	4,5			15,5

Source: SVRL

If we look at selected municipalities, we see that the situation is more or less similar across Slovenia. Small municipalities have fewer employees, some, only 3. Two municipalities have no employees with higher education degrees. With so few employees with no possibility of specialised work, it is difficult to offer quality services. It is even more difficult to keep up with developments in specific areas and cooperate actively with the state in legislative decisions regulating certain areas. Also, small administrations cannot prepare and manage development projects as they have neither the knowledge nor the resources for such work.

Small administrations do not allow for any specialisation or for any transfer of duties from the state to the local level. In very small administration professional competences cannot be secured, and they are necessary for certain areas. This damages the quality of work of municipalities and they are forced to establish links with other larger ones to allow for provision of adequate services.

Efficient provision of quality services requires qualified staff trained in specific areas. Administrations provide administrative, professional and technical services. In the structure of municipal administration employees in Slovenia, the majority are officers (55%), and technical staff is one third (38%), almost 3% are interns, and specific department staff make up 5%. The structure varies, as fourteen municipalities only have officers, and three have none. On the other hand, two municipalities only have technical professional staff, and twenty four have none.

Municipalities in Slovenia allocate 5% of their total annual revenue for salaries and other costs of their staff. It is interesting to note that the share for salaries seems to be decreasing: in 2005 it was 5.67% and in 2006 it is just 5.19%. This means that one third of the municipal expenditure for local self-governance goes for salaries, and the rest for other costs.

However, the share for salaries also varies. It is the highest in the Kostel municipality and in 2006 it was as high as 15.53 %, and it is the lowest in the Komenda municipality, 1.99%. Of course, this excludes the municipality of Jezersko, which has no employees. In the two largest municipalities, Ljubljana and Maribor, this number is close to the Slovenian average: in Ljubljana it was 4.57%, and in Maribor 5.50%.

## MUNICIPAL BODIES ELECTION SYSTEM

Local elections are regulated by the Law on Local Elections. New members of municipal councils, the mayor and member of local councils and village communities and suburbs are elected every four years. The right to vote and stand at elections is held by all the citizens of Slovenia of legal age, as well as all the citizens of the EU with legal residence in Slovenia. The election system differs depending on the number of members of the municipal council. If it has less than 12 members, a majority system is applied, and if there are more than 12 members, proportional. Voter turn-out illustrates greater interest in state elections than in local ones. The exception was the 2002 election, which had a much higher voter turn-out. The reason was that presidential elections were held at the same time.

Looking at trends, we see a dropping turn-out at state elections, and no defined trend at local elections with stable percentage. There are also no major differences in voter turn-out in relation to the size of a municipality. This applies for selected municipalities below.

Table 14:  
Participation at local elections.

Election year	1994	1998	2002	2006
Participation (%)	61.1	57.5	72.1	58.2



Table 15:  
Participation at parliamentary elections.

Election year	1996	2000	2004
Participation (%)	73.7	70.4	60.7

Source: SURS

## INTERNAL DECENRALISATION OF MUNICIPALITIES

In the new system of local self-governance, municipalities have a role different from that of the previous local communities. Namely, there is no obligation to divide municipalities into smaller units. Instead, they can decide on this themselves. Moreover, municipalities decide alone whether their parts can obtain legal personality. LLS provides for local, village or suburb communities within one municipality. The name, territory, status and competences of each part is set by the relevant municipal council.

“An offer to establish smaller units of a municipality or to change their territory may come from a group of citizens or a number of inhabitants of a municipality, pursuant to the statute. The municipal council must defend, i.e. justify such an initiative. Prior to establishing smaller units of a municipality or any change in their territories, the council must identify interests of the population of such areas (citizens’ meeting, referendum) in relation to names and territories of such smaller units”.(Article 18, LLS).

### Bodies of municipal units

A council is the body of a smaller municipal unit. The council is elected by all those who have the right to vote and are residents in the relevant area. The number of council members is determined by the municipal council. This council may propose to the municipal council any decision related to the unit. The council has a president elected by its members. The mayor has the right to attend and participate in council meetings, with no right to vote. The municipal statute may provide for no council of a municipal unit. If units were not provided for in the statute, the municipal council may establish local, village or suburb boards (pursuant to Article 30, LLS).

A municipal unit which has a council may execute competences related to its inhabitants and assigned to it by the municipal statute. Those include in particular:

- local public services;
- maintenance of local roads and other public areas;
- management of heritage intended for the population;
- promotion of culture and other social activities;
- other affairs as set by the municipal statute.

Municipal statutes prescribe whether a municipal unit can have legal personality. It is thus that the municipality decides on the legal status of its units. “If a smaller unit of a municipality has legal personality, it acts as one in legal relations within affairs set by municipal statute or decision. In that case, the council represents the municipal unit, which can also be represented by the president of the council, if so decided by the municipal statute. If the municipal unit has no legal personality, the statute may set that within the affairs of the unit and within the resources set by the budget, decisions of the council of the unit may state that the unit shall be represented by the council or its president” (Article 19 c, LLS). Legal personality is important for financing. “If a municipal unit has no legal personality, its financing shall be set by the municipal statute. Funds for operations of the unit shall be provided within the municipal budget” (Article 19 č, LLS).

There is a high level of internal decentralisation of municipalities. All the municipalities of adequate size have blocks (urban municipalities), local or village communities, which have transferred competences to decide on local issues related to living conditions in the area (uncategorised public roads, winter road maintenance, cultural and sports associations, local events, etc). Municipal budgets provide for special amounts for individual local/rural communities which they can dispose with. The municipal mayor or deputy mayor hold regular meetings with presidents of local councils and consult them on issues within their competence. As internal decentralisation grows, there is less pressure for severance of individual parts into new municipalities.

### Inter-municipal cooperation

Inter-municipal cooperation is developed on the basis of LLS, which provides for it. Most of it is the result of shared communal utility infrastructure built during earlier communities. After the dissolution of municipalities into several smaller ones, public enterprises, which usually manage public utilities, were divided

among such municipalities pursuant to legislation on shared property. It thus became/remained a shared enterprise. Joint management is effected through cooperation among representatives of all the municipalities in supervisory bodies of such enterprises. The seat of the company usually stayed in the same municipality where the old seat was. Preservation of a shared management system over public utility infrastructure ensures efficiency and quality of services. Municipalities which decided to leave the shared management system (such as Dobje, Gornji Grad, Vitanje) now have problems in securing existing utility services or developing new ones, as they do not have the necessary financial or professional resources.

Table 16:  
Examples of successful municipal cooperation.

Enterprise/ organisation	Field of work	Partner municipalities
Rogaška Slatina Public Utility Company	<ul style="list-style-type: none"> <li>- water supply</li> <li>- sewer and waste purification facilities</li> <li>- communal waste management</li> <li>- maintenance of public areas</li> </ul>	Šmarje, Rogaška Slatina, Rogatec, Kozjem, Podčetrtek, Bistrica na Sotli
Mozirje Public Utility Company	<ul style="list-style-type: none"> <li>- water supply</li> <li>- sewer and waste purification facilities</li> <li>- maintenance of public areas</li> </ul>	Mozirje, Ljubno, Luče, Solčava, Nazarje
Velenje Public Utility Company	<ul style="list-style-type: none"> <li>- water supply</li> <li>- sewer and waste purification facilities</li> <li>- maintenance of public areas</li> </ul>	Velenje, Šoštanj, Šmartno na Paki
VO-KA Celje	<ul style="list-style-type: none"> <li>- water supply</li> <li>- sewer and waste purification facilities</li> </ul>	Celje, Dobrna, Štore, Vojnik
Žalec Public Utility Company	<ul style="list-style-type: none"> <li>- water supply</li> <li>- sewer and waste purification facilities</li> </ul>	Žalec, Polzela, Prebold, Tabor, Vranksko

Source: RA Kozjansko survey, 2007.

Also, some activities in social care and provision remained shared: primary schools for children with special needs, primary health care centres, etc.

A new form of cooperation has been developed over the past few years on the basis of voluntary decisions by municipalities to merge their administrations to provide better quality of service for the citizens, or to rationalise their operations. Thus, cooperation has been developed in the areas of inspections, urban planning, etc. The state provides financial incentives for the establishment of joint inter-municipal administrative bodies, so that it covers one half of their operating costs. Such bodies may or may not have legal personality. The state supports the establishment of joint inter-municipal administrative bodies for administrative and professional tasks, as it proved impossible for small municipalities to provide all such services with so few employees. The state provides for 50 % of the total cost of such services, which is favourable and motivates the municipalities to opt for such arrangements.

Table 17:

Joint inter-municipal administrative bodies in the region of Savinjska.

Joint inter-municipal bodies	Municipalities
Inter-municipal inspectorate	Dobrna, Oplotnica, Slovenske Konjice, Šentjur, Vitanje, Vojnik, Zreče
Inter-municipal inspectorate	Gornji Grad, Ljubno, Luče, Mozirje, Nazarje, Solčava, Šmartno na Paki, Šoštanj, Velenje
Urban planning and environment office	Solčava, Luče, Ljubno, Gornji Grad, Nazarje, Mozirje, Šmartno na Paki, Velenje
Joint municipal office for civil and fire protection	Rogaška Slatina, Rogatec, Šmarje pri Jelšah, Podčetrtek, Bistrica na Sotli, Kozje
Inter-municipal police	Rogaška Slatina, Rogatec
Joint municipal office for development	Slovenske Konjice, Vitanje, Zreče

Source: RA Kozjansko survey, 2007.

## CONCLUSION

Local self-governance reform in Slovenia has been going on for more than a decade. Considerable experience has been amassed during that time, indicating that the process does not necessarily lead to the desired results. If the principal aim was the one declared politically, i.e. decentralisation of the state and observance of the principle of subsidiarity, this aim has remained unfulfilled. Narrowly defined original competences of local self-governance do not meet contemporary needs and people expect local authorities to provide not only for their basic needs, but also for more elaborate ones. A system of very different local units with the same scope of competences proved to be inadequate for such an aim. Some of them, particularly the smaller ones with limited resources, have considerable problems meeting the basic needs of the population and providing the necessary services. At the same time, the state always has a reason for not being able to transfer to local self-governance the competences it has kept for itself. As there is a need to secure the same quality of services in the entire territory, the state cannot transfer competences to those municipalities which do not have the personnel to affect them. Inter-municipal cooperation is also an indicator of the need for larger systems in certain public service areas, as that is the only way to provide cost-effective services of adequate quality. The existence of several small municipalities often hinders the functioning of such systems and creates difficulties which may affect their operations, particularly in areas which do not seem to be of essential importance for everyday life, but are of great developmental importance (communal waste management, adult education, etc). That is why a better approach to reform would be the one which would first define the competences of local self-governance and only then decide on the territory and financing of local authorities on the basis of such competences. This functional approach would deliver the kind of local authorities who would be capable of performing their competences. This would not jeopardise further development of civic participation and local democracy, as this is not a matter of larger local communities, but rather a matter of internal structure of governance and its decentralisation.





Nives KOPAJTICH-ŠKRLEC

# BIT BY BIT – BUT WHERE TO?

– Local self-governance in Croatia –



## INTRODUCTION TO LOCAL SELF-GOVERNANCE IN THE PERIOD FROM 1990 TO 2007

There is a long tradition of local self-governance in the Republic of Croatia, but legal and political preconditions for the introduction of its modern contemporary form were created after the first multi-party parliamentary elections in April and May 1990.<sup>1</sup> The first democratic parliamentary elections and the adoption of the constitution<sup>2</sup> in December 1990 marked the establishment of a new democratic rule, parliamentary democracy and a multi-party system. That is when the transition to a substantially different system of local self-governance started. It was devised not to be a form of restriction of central governance, but rather a consistent system of local units, largely autonomous from the central government in discharging all the duties of local (original, self-governing) scope.

Local self-governance in Croatia is a special constitutional category with constitutionally guaranteed autonomy of local units, reflected in: the citizens' right to elect their representative bodies directly; local parliaments; organisational

<sup>1</sup> First multi-party elections for the three councils of the Croatian parliament were held in two rounds, on 22 April and 9 May 1990.

<sup>2</sup> Constitution of the Republic of Croatia (Official Gazette No. 56/90, 135/97, 8/98 (edited text), 113/00, 124/00 - edited text, 28/01, 41/01- edited text, 55/01, 113/01).



autonomy of local bodies; constitutionally guaranteed autonomy in decision-making and execution of local affairs; own revenue and autonomous disposal of funds within special regulations; existence of a legal framework and case-law observing constitutionality and lawfulness in any intervention by central authorities in relation to rights, organisation, revenues, and other aspects of functioning of local units.

The position and importance of local self-governance are illustrated by the constitutional provision stating that state governance is limited only by the constitutionally guaranteed citizens' right to local and regional self-governance, and the obligation of the parliament to adopt laws regulating it, decided by a majority vote of all its members.<sup>3</sup>

Provisions of the 1990 Constitution guaranteed the right to local self-governance and abolished all the previous municipalities, introduced counties (as units of local governance and self-governance),<sup>4</sup> towns and municipalities (as units of local self-governance), thus creating the basis for adopting a host of organic laws as the legal framework of a system of local self-governance.

However, prior to adopting these laws, in December 1992 the Croatian parliament adopted a conclusion on acceptance and observance of principles and institutions (provisions) of the European Charter of Local Self-governance,<sup>5</sup> and the European Charter itself was ratified only in 1997 with the Law on Ratification of the European Charter.<sup>6</sup>

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3 Croatian parliament is a single-chamber parliament comprised of 151 MPs elected on 23 November 2003. Seats are distributed among 15 parties and independents. The House of Counties, with three representatives each for the City of Zagreb and for all the counties, which also had the right to veto, was abolished by the 2001 constitutional amendments (Official Gazette, No. 28/01).

4 The 2000 amendments to the constitution (Official Gazette, No. 113/00) defined counties as units of regional self-governance.

5 Conclusion on adoption and observance of principles and institutions (provisions) of the European Charter on Local Self-governance (Official Gazette - Treaties, No. 1/93).

6 Law on Ratification of the European Charter (Official Gazette - Treaties, No. 14/97). It is often emphasised that the local self-governance system in Croatia is fully compatible with the democratic principles and standards expected in European countries of long democratic tradition. However, as only a few compulsory provisions of the Charter have been ratified, further ratification is to follow. Association of Towns advocates this. Association of Towns is a national, non-partisan association of 80 towns in the Republic of Croatia, and has been active since 1971 under different names and forms of organisation.

For this purpose, local self-governance will be analysed through:

- legislation on local self governance,
- territorial organisation of local units,
- -financing of local units.

### A) Legislation can be observed through the following periods:

- from 1992 to 2001,
- from 2001 to 2005,
- from 2005 to date.

**From 1992 to 2001 (initial legal framework).** The first Law on Local Self-governance was adopted in 1992.<sup>7</sup> It elaborated the rights and duties and the scope of work of local units, their competences, mutual relations and responsibilities, basic functions, state supervision and forms of intervention of state bodies aimed at removing any problems in the work of representative bodies, as well as other issues of importance for their organisation and work. The Law also abolished the former local communities<sup>8</sup> which had existed for a relatively long time and which were standard forms of primary civic participation in decision-making. The Law introduced towns and municipalities as units of local self-governance, whereas counties were units of local governance and self-governance. Other basic laws were adopted, such as the Law on Self-Governance Affairs of Units of Local Self-governance and Governance,<sup>9</sup> Law on the City of Zagreb<sup>10</sup> and the Law on Financing Units of Local Self-governance and Governance.<sup>11</sup>

The Law on Local Self-governance did not leave any room for further definition of tasks to be performed by individual units, and municipalities with fewer inhabitants had the same scope of work as towns. The initial uniform structure was abandoned in the 2001 amendments, when it was provided for financially more powerful units to perform tasks outside the obligatory scope.

<sup>7</sup> Law on Local Self-governance and Governance (Official Gazette, No. 90/92, 94/93, 117/93 i 128/99).

<sup>8</sup> Law on Communities (Official Gazette, No. 19/83).

<sup>9</sup> Law on Self-Governance Affairs of Units of Local Self-governance and Governance, Law on Self-governance Affairs of Units of Local Self-governance and Governance (Official Gazette, No. 75/93, 103/93, 10/94, 17/94, 30/94, 36/95, 107/95, 43/96, 70/97, 105/97, 36/98, 142/98 and 69/99).

<sup>10</sup> Law on the City of Zagreb (Official Gazette, No. 90/92, 76/93, 69/95, 14/97 i 36/98).

<sup>11</sup> Law on Financing Units of Local Self-governance and Governance (Official Gazette, No. 117/93, 69/97, 33/00, 73/00, 127/00, 59/01, 107/01, 117/01, 150/02, 147/03 and 132/06).

**From 2001 to 2005 (the 2001 reform of local self-governance / onset of decentralisation).** The 2001 constitutional amendments allowed for changes to the then uniform concept of local self-governance, decentralisation of state affairs, and differentiation in duties to be performed by units of local self-governance. This created the preconditions to remove the uniform prescription of duties, tasks and financing of local units and a reform ensued. 2001 saw the adoption of the new Law on Local and Regional Self-governance<sup>12</sup> which became the basis for future decentralisation in education, health, social care and fire protection, and the new Law on Election of Representative Bodies of Local and Regional Self-governance.<sup>13</sup>

In December 2004, the Government of Croatia adopted its Framework Programme for Decentralisation for the period 2004–2007, promoting further decentralisation, expansion of duties of local units, securing greater autonomy, and changing the current financing system which inhibited the development of an effective communal infrastructure, thus making most of the local units incapable of responding to the basic needs of their citizens. The government deemed it necessary to harmonise the scope of transfer of duties (and powers) to local units with financial aspects of the transfer. It also appointed a decentralisation committee, which included representatives of relevant ministries, as well as representatives of national associations of local units.<sup>14</sup> As key obstacles to decentralisation, they identified the still inadequate perception of basic notions of decentralisation (most of the proposals received by ministries did not refer to decentralisation, but rather to de-concentration of duties), very high levels of discord in economics, and thus financial strength of the local units, and insufficient human resources of local units. This was reflected in different levels of professional capacities of staff in units which were to start taking on new duties.

**From 2005 to date (continuation of decentralisation and differentiation of scopes of work).** An important improvement was achieved with the adoption of the Law on Changes and Amendments to the Law on Local and Regional

<sup>12</sup> Law on Local and Regional Self-governance (Official Gazette, No. 33/01, 60/01 – authoritative interpretation and 129/05).

<sup>13</sup> Law on Election of Representative Bodies of Units of Local and Regional Self-governance (Official Gazette, No. 33/01, 10/02, 155/02, 45/03, 43/04, 40/05 and 44/05 - edited text).

<sup>14</sup> Association of Towns and Association of Municipalities as an Alliance, as well as Croatian County Community, are active at this moment.

Self-governance.<sup>15</sup> It introduced for the first time the notion of cities.<sup>16</sup> Cities as units of local self-governance were defined as economic, financial, cultural, health, transport and scientific centres of development of the region, with a population of more than 35,000. Determination of the number of inhabitants required for the status of a city is still debated. With an obligatory scope of work of all the units, cities were, at least in principle, assigned competences in urban planning, construction and road managements.

### B) Territorial organisation of local units can be observed in two stages:

- from 1992 to 1997,
- from 1997 to date.

**From 1992 to 1997 (the first law on new territorial organisation).** The Law on Territories of Counties, Towns and Municipalities in the Republic of Croatia<sup>17</sup> was adopted in 1992. It set the territorial organisation of new units, methods for determining their boundaries, and procedures for initiating territorial changes. It was clear yet again that territorial organisation of any state (today or in the past) is a very complex legislative task. Territorial organisation of local units largely determines the success of its system of local self-governance, its efficiency and purposefulness. Local units are the subjects that local governance is assigned to, as well as a considerable part of public services whose quality is directly related to the quality of life. The primary level for citizens to exercise their daily interests and needs is the regional organisation with observes economic reasons, realistic possibilities of its future functioning, and thus its ability to respond to the needs of their citizens. Along with functional and financial justification, organisation of local units must not ignore an important element of integration, i.e. an individual's sense of belonging to a local community. All this contributes to the overall success of a local community and it is all to be observed when organising local units of a country. According to the professional community, the first Law on Territorial Organisation of the Republic of Croatia did not meet most of these criteria.<sup>18</sup> The Law established 20 counties,

<sup>15</sup> Law on Changes and Amendments to the Law on Local and Regional Self-governance (Official Gazette, No. 129/05).

<sup>16</sup> Pursuant to the 2001 census, in addition to Zagreb, there are 15 other cities: Split, Rijeka, Osijek, Zadar, Slavonski Brod, Velika Gorica, Karlovac, Pula, Sisak, Šibenik, Varaždin, Dubrovnik, Bjelovar, Samobor and Vinkovci.

<sup>17</sup> Law on Territories of Counties, Towns and Municipalities in the Republic of Croatia (Official Gazette, No. 90/92, 2/93, 58/93, 90/93, 10/94, 29/94).

<sup>18</sup> After the adoption of the Law on Territories of Counties, Towns and Municipalities in December 1992 and until the adoption of the new Law on Regional Organisation in January 1997, the then responsible ministry

the city of Zagreb as a separate administrative and territorial unit with county status, and 70 towns and 421 municipalities. Administrative fragmentation continued, and the constant growth of the number of units of local self-governance (municipalities and towns) led to continuous weakening of their capacities, particularly in smaller units, to perform their duties. Even today, many units fail to meet the basic criteria which should have been met when they were being established (homogeneity, complementarity, economic and financial capacity, catchment areas, development potentials, etc.). An additional problem was in the fact that personnel and institutional capacities of those units remained inadequate for various self-governance duties or for developing their own potentials.

**From 1997 to date (corrections of initial mistakes and further fragmentation of territories).** Territorial organisation was reformed in 1994 with the adoption of the new Law on Territories.<sup>19</sup> Pursuant to that law, there were still 20 counties, although their territories were changed, along with the City of Zagreb as the 21st county, and 121 towns and 416 municipalities. The law established 54 new municipalities, 47 old municipalities were given the status of a town, and 13 old municipalities were abolished.<sup>20</sup>

Today, after the third Law on Territories,<sup>21</sup> which is not a real reform law, the Republic of Croatia, with a territory of 56,602.99 km<sup>2</sup> and 4,437,460 inhabitants according to the 2001 census, has a total of 556 local units: 125 towns, 429 municipalities, 20 counties and the City of Zagreb.

### Regional approach

The Stabilisation and Association Agreement between the EU and the Republic of Croatia was signed in 2001 and it regulated issues of association and legal bases for harmonisation of legislation, trade liberation and a framework for political dialogue. In June 2004, Croatia was promoted to the status of an

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received a total of 431 requests by citizens, NGOs, local authorities, MPs, boards and applicants, initiating changes in regional organisation.

19 Law on Territories of Counties, Towns and Municipalities (Official Gazette, broj10/97, 124/97, 50/98, 68/98, 22/99, 42/99, 117/99, 128/99, 44/00, 129/00, 92/01, 79/02, 83/02, 25/03, 107/03 i 175/03).

20 A decision by the UNTAES Interim Administrator dated January 1997 established six new municipalities in Eastern Slavonia: Negoslavci, Markušica and Mirkovci (transitional municipality for one year) in the Territory of Vukovarsko-srijemska County, and Šodolovci, Jagodnjak and Tenja (transitional municipality for one year) in the Territory of Osječko-baranjska County.

21 Law on Territories of Counties, Towns and Municipalities (Official Gazette, No. 86/06).



Picture: Overview of the 1997 territorial division into counties<sup>22</sup>

official EU candidate. However, it is also one of the few candidates with no clearly defined policy and strategy of local development, as the current legislative framework does not contain a single law directly related to regional development. Regional development policy is affected through the overall legal system and the application of different laws by different ministries. Still, it should be mentioned that several laws (and bylaws) are the legal framework for setting a regional development policy. At the same time, laws are direct instruments of regional development. Those are the so-called regional laws, regulating specific issues and problems, and they include: Law on Areas of Special State Concern (defining areas that the state provides for and incentives for their development; such areas include almost 30% of state territory), Law on Islands (regulating the specific position and importance of islands for state development and defines a wide set of activities supported by the state through different mechanisms),

<sup>22</sup> Source: Geografija.hr, an education project by the Croatian Geographic Society, designed in collaboration with XStudio IT, company and supported by the Ministry of Education and Sports, and the Government Office for Associations.

Law on Mountains (regulating mountainous regions as regions of special state interest, aimed at creating conditions for their development in order to promote demographic revival, settlement, quality use of natural and economic resources to secure economic growth) and the Law on Reconstruction and Development of the City of Vukovar (regulating incentives for reconstruction and development of Vukovar, aimed at alleviating the consequences of war). Other laws may have some development provisions, but they were not adopted with a direct aim of promoting regional development as they regulate other issues.

On 27 March 2007, the Central Bureau for Statistics adopted the National Statistical Classification of Territorial Units<sup>23</sup> as a statistical standard used for collection, entry, processing, analyses and utilisation of regional statistics in accordance with levels of territorial division of Croatia. The classification is believed to be a solid basis for effective regional development policies, socio-economic analyses and social and economic cohesion. The national classification establishes territorial units of levels 1, 2 and 3, dividing state territory for the purpose of regional statistics. For statistics purposes, a level 1 territorial unit is the Republic of Croatia, level 2 are (non-existent pursuant to the Law on Territories) three non-administrative units created as groups of counties (units of regional level), and level 3 territorial units are the current 20 counties and the City of Zagreb as the 21st county. There was a lot of public debate about the definition of level 2 units, which divides the territory into North-western Croatia (Zagreb, Zagrebačka, Krapinsko-zagorska, Varaždinska, Koprivničko-križevačka and Međimurska counties), Central and Eastern Croatia/Panonia (Bjelovarsko-bilogorska, Virovitičko-podravska, Požeško-slavonska, Brodsko-posavska, Osječko-baranjska, Vukovarsko-srijemska, Karlovačka and Sisačko-moslavačka counties) and the Adriatic Region (Primorsko-goranska, Ličko-senjska, Zadarska, Šibensko-kninska, Splitsko-dalmatinska, Istarska and Dubrovačko-neretvanska counties). Namely, one of the aims of structural funds is to implement the EU cohesion policy. The EU aims to “promote harmonious development” and decrease differences in regional development levels. Structural funds are intended for underdeveloped areas with GDP levels below 75% of the EU average. All the regions in Europe receiving structural funds have low investment levels above average unemployment rates, insufficient investment and entrepreneurship support, and inadequate basic infrastructure. There is a common position of the counties making up the “Western Croatia” region, along with the City of Zagreb, that this national classification is unacceptable as it would hinder the use

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23 National Statistics Classification of Territorial Units, No. 35/07).

of EU structural funds. It was proposed to the parliament to discuss this division, as it was deemed to be contrary to the parliament's conclusion from June 2003 on the establishment five statistical units. At the time (12 June 2003), upon proposal of the Central Bureau for Statistics, Parliament adopted the “Nomenclature of Statistical Units” defining five level 2 units: Northern, Western, Central, Eastern and Southern Croatia. There is a possibility, and thus fear, that the region of “North-western Croatia” would soon reach 75% of the EU GDP (set by would not be able to use EU funds. Several counties thus requested a change, to remove Zagreb from the North-western region into a separate unit. It should be noted that according to a survey from September 2006, 48% of all citizens support the accession to the EU, whereas 6% have no position<sup>24</sup>

### C) Financing of local units can be observed in two stages:

- from 1992 to 2001,
- from 2001 to date.

**From 1992 to 2001.** Pursuant to Article 9 of the European Charter on Local Self-governance, the system of financing of local units is regulated by the Law on Local and Regional Self-governance, Law on Financing of Units of Local and Regional Self-governance, Law on Budget,<sup>25</sup> Law on Execution of State Budget of the Republic of Croatia for 2007 <sup>26</sup> and other regulations. The Law on Financing sets the sources and methods of funding for affairs falling within self-governance competences of counties, towns and municipalities, adoption of budgets and state supervision.

Principles of the European Charter relevant for financial sources of local units are part of laws and regulations setting the financing system and local units are entitled to revenues they are free to dispose within the execution of their powers. Their revenues correspond to their powers, and part of their revenues is generated by local taxes and fees with rates set by them within limits set by law.

**From 2001 to date.** There are differences in the financing of municipalities and towns, dependent on the actual scope of work. Towns, municipalities, counties

<sup>24</sup> Data from “Citizens’ Opinion Survey for the Republic of Croatia”, IRI & Puls agency, on the basis of research from September 2006.

<sup>25</sup> Law on Budget (Official Gazette, No. 96/03).

<sup>26</sup> Law on Execution of State Budget of the Republic of Croatia (Official Gazette, No. 137/06).



and the City of Zagreb, financing decentralised functions pursuant to laws adopted in 201, are entitled to an additional share of income tax.

## OVERVIEW OF LOCAL UNITS IN THE REPUBLIC OF CROATIA AND DIVISION INTO COUNTIES, CITIES AND MUNICIPALITIES

The 1992 Law on Local Self-governance prescribes those municipalities as natural, economic and social units connected by the shared interest of their population are established within the territory of one or more settlements, depending on the criterion of homogeneity. The status of a town may be assigned on the basis of several criteria: administrative (any settlement which is the seat of a county, irrespective of population, economic or other indicators, may be defined as town), population (a town is an inhabited area of more than 10,000 residents), catchments (seats of former municipalities whose catchment area includes suburbs which can reasonably be kept within those towns), and a special criterion which is, in essence, an exception (historical, economic, transport, and other reasons for granting the status of a town, with no need to satisfy the aforementioned criteria). There is no differentiation between urban and rural municipalities in the literal sense.

Counties are units of local self-governance and governance, and as such they have their own self-governance scope and elected bodies as set by law. They were also local levels of state governance, whose functioning was led by the county president with a dual role: executive of the self-governance unit, elected by the county assembly and confirmed by the state president, and a civil servant heading state governance at county level.

The 2002 amendments to the constitution defined a county as a unit of regional self-governance, although they still do not have any substantive features of regional units. The territory of a county is, or should be, a natural, historical, transport, economic, social and self-governance unit which includes the territory of several units of local self-governance (towns and municipalities), established for the purpose of handling affairs of regional interest. Counties should have a coordinating and integrating role, and should be the promoters of interests and development of local units within their territory.

It is common that the position, scope and financing of the capital are regulated separately and the City of Zagreb is no exception. The Law on the City of Zagreb was adopted in 1992, superseded by the new law adopted in 2001.<sup>27</sup> The constitution does provide for the possibility to grant the capital city the status of a county: thus, the City of Zagreb also handles affairs normally assigned to both towns and counties as it has the relevant status. The exception is that bodies of the City of Zagreb as a separate territorial and administrative unit also perform state administration duties.

Towns by population:

Population	Number of towns
Up to 3,000	6
From 3,000 to 5,000	12
From 5,000 to 10,000	42
From 10,000 to 35,000	51
From 35,000 to 100,000	12
More than 100,000	4

Municipalities by population:

Population	Number of municipalities
Up to 1,000	25
From 1,000 to 10,000	394
More than 10,000	6

According to the most recent census, conducted in 2001, as much as 37.6% of the entire territory of Croatia is made up of towns, and 62.6% are municipalities. The average population size of a town (excluding Zagreb) is 25,128, whereas the average population of a municipality is 3,243.<sup>28,29</sup>

The least populated municipalities:

Municipality	Density of population
Civljane	1.7 persons/km <sup>2</sup>
Udbina	2.4 persons/km <sup>2</sup>

Municipality	Density of population
Lanišće	2.8 persons /km <sup>2</sup>
Lovinac	3.2 persons /km <sup>2</sup>
Karlobag	3.6 persons /km <sup>2</sup>

27 Law on the City of Zagreb (Official Gazette, No. 90/92, 76/93, 69/95, 14/97 i 36/98), new Law on the City of Zagreb (Official Gazette, No. 62/01),

28 The most populous is the municipality of Čepin, Osječko-baranjska county – 12,901, whereas the least populated is the municipality of Civljane (Šibenska county) with just 137 inhabitants.

29 Data from the Ministry for Environment, Spatial Planning and Construction.

The most densely populated towns/municipalities:

Town/ Municipality	Density of population	Town/ Municipality	Density of population
Rijeka	3.310,6 per/km <sup>2</sup>	Varaždin	824,5 per/km <sup>2</sup>
Split	2.367,4 per/km <sup>2</sup>	Kastav	777,1 per/km <sup>2</sup>
Zagreb	1.214,9 per/km <sup>2</sup>	Općina Dugi Rat	670,9 per/km <sup>2</sup>
Slavonski Brod	1.188,3 per/km <sup>2</sup>	Osijek	655,1 per/km <sup>2</sup>
Pula	1.093,3 per/km <sup>2</sup>	Općina Podstrana	631,7 per/km <sup>2</sup>

## EXAMPLES OF LOCAL UNITS OF DIFFERENT CATEGORIES

Comparative overview of data for ten towns<sup>30</sup>

Town	Population (2006)	Territory (in km <sup>2</sup> )	Persons employed in central area /seat of the unit (2001 census)	Persons employed in town administration	Budget revenue in 2004 (in EUR)	Budget revenue in 2005 (in EUR)	Budget revenue in 2006 (in EUR)
Osijek	114.616	169	39.248	246	40.573.811,8	44.895.266,7	53.107.790,4
Pula	62.080	51,65	22.233	195	28.126.230,3	26.323.862,9	32.786.085,3

<sup>30</sup> Source: data base on units of local self-governance in RC, 2001 voter register, State Statistics Bureau, Ministry of Finance (Budget Office, Office for Financing Units of Local and Regional Self-governance).

Nin	Ilok	Crikvenica	Gospić	Čakovec	Vukovar	Dubrovnik	Karlovac	Town
5.700	8.350	10.349	12.383	28.503	31.670	49.728	59.395	Population (2006)
28	128.89	32	967	14.65	36	143.35	401	Territory (in km <sup>2</sup> )
1.189	2.530	4.606	4.296	13.264	7.860	15.272	20.638	Persons employed in central area / seat of the unit (2001 census)
18	11	42	44	31	50	165	107	Persons employed in town administration
2.023.479,0	1.858.518,5	6.868.596,3	5.946.489,5	8.637.271,4	7.122.579,6	20.039.677,4	17.861.249,2	Budget revenue in 2004 (in EUR)
2.072.951,5	1.799.931,0	7.788.655,8	5.774.527,1	9.549.616,2	9.851.310,4	24.118.684,4	19.239.176,2	Budget revenue in 2005 (in EUR)
3.950.073,4	1.551.643,8	8.265.871,2	7.623.740,1	13.131.998,5	12.269.863,0	32.496.205,5	21.689.863,0	Budget revenue in 2006 (in EUR)

Comparative overview of data for ten municipalities<sup>31</sup>

	Municipality												
		County	Population (2001)	Territory ( in km2)	Persons employed in central area /seat of the unit (2001 census)	Persons employed in municipal administra-	Budget revenue in 2004 (in EUR)	Budget revenue in 2005 (in EUR)	Budget revenue in 2006 (in EUR)				
Šestanovac	Splitsko-dalmatinska		2.685	88,90	706	4	248.979,3	251.571,1	373.578,1				
Dugopolje	Splitsko-dalmatinska		3.120	63,50	865	6	3.607.707,1	4.143.469,6	3.153.917,8				
Štrigova	Medimurska		3.221	39	1.483	3	177.789,9	180.055,1	495.205,5				
Kostrena	Primorsko-goranska		3.897 (2006.god)	12	1.448	16 + 1 volunteer	4.981.328,0	4.739.665,1	5.198.630,1				
Brinje	Ličko-senjska		4.108	358,22	1.138	4	2.160.510,8	1.390.284,4	1.213.698,6				
Veliko Trgovišće	Krapinsko-zagorska		5.220	46,65	1.761	8	915.296,2	1.019.031,9	1.456.164,4				
Nijemci	Vukovarsko-srijemska		5.998	43,16	1.787	8	844.880,5	944.771,9	1.232.405,5				

31 Source: data base on units of local self-governance in RC, 2001 voter register, State Statistics Bureau, Ministry of Finance (Budget Office, Office for Financing Units of Local and Regional Self-governance).

Civljane	Podravske Sesvete	Štefanje	Municipality
Šibensko-kninska	Koprivničko-križevačka	Bjelovarsko-bilogorska	County
137 (2006. god.)	1.778	2.347	Population (2001)
52	29.47	28,14	Territory ( in km2)
7	553	1.007	Persons employed in central area /seat of the unit (2001 census)
5	4	2	Persons employed in municipal administra-
172.421,6	643.260,8	191.561,6	Budget revenue in 2004 (in EUR)
173.053,4	883.959,9	409.379,0	Budget revenue in 2005 (in EUR)
295.712,3	830.643,8	681.164,4	Budget revenue in 2006 (in EUR)

## OVERVIEW OF LEGAL COMPETENCES OF LOCAL UNITS AND SELF-GOVERNANCE AFFAIRS

The 1992 Law on Duties and Responsibilities tried to list the duties within the local self-governance competences of towns and municipalities, and those of the counties, thus trying to define their scope of work, however restrictively. The law gave local units (towns and municipalities) powers in areas of economy, agriculture and forestry, water management, trade, tourism, catering, maritime affairs, transport, railway transport, urban planning, environmental protection, housing and communal utilities, culture, sports, property issues and general administration.

All other areas which had previously been within the competence of the state and were not clearly assigned to local self-governance, remained the responsibility of state governance.

The 2000 constitutional amendments introduced subsidiarity, although the relevant provision of the European Charter had not been ratified, and it was decided that when assigning duties, priority would be given to those bodies which were the closest to the citizens, which was in itself a considerable novelty. The Law on Duties and Responsibilities served its purpose, the primary organisation of self-governance, and subsequent adoption of laws in specific areas it was gradually put out of force.<sup>32</sup>

Several laws were adopted in early 2001, transferring state administration to counties and towns. Amendments were introduced to laws regulating primary and secondary education, social insurance and social care. These laws partially decentralised the financing of certain institutions in these areas. Changes to the Law on Primary and Secondary Education assigned the founding rights for primary and secondary schools and student dormitories to units of local and regional self-governance; school management was regulated and coverage of school expenditure was clearly set. Changes to the Law on Health Insurance transferred some of the responsibilities for certain health care institutions to counties. Changes to the Law on Social Care transferred part of social care responsibilities to counties, regulated the issue of management of social work centres, and set the coverage of costs. These changes assigned to counties all the founding rights over social care institutions. These laws came into force on 1 July 2001.<sup>33</sup> Numerous laws were also adopted in the field of culture, establishing certain powers of local units. For example: municipalities, towns and counties as founders of museums, libraries, public theatres and other institutions of culture no longer needed approvals from the Minister of Culture for appointment or removal of directors. At this stage of decentralisation, only some duties in the fields of primary and secondary education, social care and health insurance were transferred to counties, i.e. regional self-governance. And there was only partial decentralisation in favour of local self governance

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32 Thus, for example, Law on Utility Management (Official Gazette, No. 36/95), in addition to abolishing the previous Law on Utilities (Official Gazette, No. 15/79, 18/79 i 26/93), also abolishes several provisions of the Law on Self-Governance Affairs of Units of Local Self-governance and Governance.

33 Changes and amendments to these laws were published in the Official Gazette No 59/01. They came into force on the date of publication, on 28 June, and their implementation started on 1 July 2001.

in the field of primary education, as only some towns assumed the decentralised functions (32 towns and the City of Zagreb, out of the then total of 123 towns), whereas other primary schools, depending on their location, became the responsibility of counties (20 counties). Although towns hold the founding rights over schools, their powers are not complete as salaries and running costs are provided for by the state budget, and the school board which manages the school and appoints its principal, has fewer representatives of the town. This transfer was accompanied by a transfer of revenues for executing these tasks. However, this cannot be described as a reasonable transfer of revenues since experience has shown that those funds were insufficient for normal functioning. Revenues were increased for those units of local and regional self-governance which assumed decentralised functions so that they generate original revenue from an additional share of income tax.

In addition to this, in order to secure an adequate financial basis, the Law on Financing of Units of Local Self-governance and Governance was also changed,<sup>34</sup> adding particular provisions regulating the financing of decentralised duties. On the basis of this law, a decree was passed on the calculation of financial adjustments for decentralised duties of units of local and regional self-governance for the period from 1 July to 31 December 2001.<sup>35</sup> Implementation decisions were adopted on criteria for securing minimum financial standards of public services for primary and secondary education, as well as minimum financial standards for the investment maintenance of health institutions and running costs of social work centres and heating subsidies. The decree applied to units of local and regional self-governance, beneficiaries of financial adjustment, which assumed the financing of decentralised functions. That included all the counties, the City of Zagreb and 32 towns: Samobor, Velika Gorica, Vrbovec, Zaprešić, Krapina, Kutina, Sisak, Karlovac, Varaždin, Koprivnica, Bjelovar, Crikvenica, Opatija, Rijeka, Gospić, Virovitica, Požega, Slavonski Brod, Zadar, Osijek, Šibenik, Vinkovci, Makarska, Split, Labin, Pazin, Poreč, Pula, Rovinj, Umag, Dubrovnik and Čakovec.<sup>36</sup> They all received original revenues from a share of income tax, pursuant to the law.

34 Law on Changes and Amendment to the Law on Financing of Units of Local Self-governance and Governance (Official Gazette, No. 59/01).

35 Decree on calculation on adjustments for decentralised functions of local and regional self-governance units for the period 1 July to 31 December 2001. (Official Gazette, No. 75/01).

36 Number of inhabitants: City of Zagreb 779,145, Split 188,694, Osijek 114,616, Labin merely 12,426, and Crikvenica 11,348 inhabitants. Data from the 2001 census.



These towns were with relatively stable budget revenues, sufficient for funding regular commitments, but also for financing a considerable part of capital development needs. On the basis of that, the Ministry of Finance held that these towns were capable of financing the transferred functions in the above-mentioned areas. Today, several years after the initial decentralisation, other towns which were not included in the initial transfer in 2001, are presenting requests to assume certain functions and certain rights.<sup>37</sup>

Municipalities, towns and counties are autonomous in deciding on issues within their scope of work in compliance with the constitution and the law. This provision is observed in practice, and supervision over local units is in essence an assessment of lawfulness, with no assessment of purposefulness of decisions.<sup>38</sup>

The Law on Local Self-governance prescribes that municipalities and towns perform tasks of local importance which provide for the needs of the citizens, either directly or indirectly, and which are not constitutionally or legally assigned to state bodies, in particular in the following:

- organisation of settlements and housing,
- spatial planning and urban development,
- communal utility management,
- child care,
- social care,
- primary health care,
- primary education and development,
- culture and sports,
- consumer protection,
- protection and promotion of the environment,
- fire and civil protection,
- transport in its area,
- other duties in accordance with specific laws.

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37 The town of Križevci (22,324 inhabitants) initiated procedures to transfer founding rights over primary schools from the Koprivničko-križevačka county to the town, as it held that there were conditions for quality provision of services.

38 In 2006, the Government of R Croatia dismantled the representative bodies of 13 local units, and then announced extraordinary elections. In 2005, it used this measure only three times, whereas in 2004 nine representative bodies were dismantled. This happens on strict legally prescribed basis, such as permanent obstacles to its work or failure to adopt the budget.

Specific laws which regulate these areas may assign tasks to be organised and performed by municipalities and towns. Cities and towns which are also county seats<sup>39</sup> also perform tasks of local importance which meet the needs of their citizens directly, particularly in relation to:

- organisation of settlements and housing,
- spatial planning and urban development,
- communal utility management,
- child care, social care,
- primary health care,
- education and development,
- culture and sports,
- consumer protection,
- protection and promotion of the environment,
- fire and civil protection,
- transportation in its area,
- public road maintenance,
- issuance of construction and site permits and other documents related to construction and implementation of spatial plans,
- other duties in accordance with specific laws.

The scope of work of towns also includes (though in principle only, as special laws have yet to be adopted) tasks related to issuance of construction and site permits and other construction-related documents. Spatial management and development will thus become an integral process since local units are the ones which decide on spatial development plans. Although it is difficult to speak about decentralisation in a situation where special laws transfer to local units only within some parts of the constitutionally defined (original) competences (For example, local units are competent for spatial planning and construction but in accordance with current legislation they are not fully competent since permits are still issued by state bodies.), further decentralisation will follow, accompanied by transfers of duties and powers, as well as financial resources, primarily to towns.

Special laws should be adopted to accelerate the real transfer of tasks. The Association of Towns is particularly active in initiating such changes. The

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39 County seats include Gospić - 12,980 inhabitants, Krapina - 12.950, Pazin – 9,227 inhabitants.

Association of Towns initiated changes or adoption of laws allowing cities, towns which are county seats and counties to hold real competence to issue site and construction permits and other documents related to: implementation of spatial planning and construction documents, transfer of management powers, construction, reconstruction and maintenance of public roads (state, county and local), along with a different method of financing of such transferred tasks, i.e. competences, as well as wider competences related to maintenance and issuance of concession in maritime affairs.

Same as municipalities and towns, cities are also obliged to organise and perform certain tasks assigned to it by the Law on Local Self-governance. The law prescribes that cities with more than 35,000 inhabitants and towns which are also county seats may, in addition to their legally prescribed competences, perform within their own territories other duties falling within the competence of counties.

Representative bodies of other local units (municipalities and towns) may also request county assemblies to assign to them, with approval by the central state body responsible for local and regional self-governance affairs,<sup>40</sup> certain tasks normally within competences of the county, though only provided they can secure adequate funding.

### Practical problems

The law does not elaborate the process of “application“ by a town or a municipality to competent county bodies and there are variations in practice. For example, in 1997 the Istarska County Assembly transferred maritime management to coastal towns in its territory which had requested such a transfer.<sup>41</sup> In general, application and transfer procedures are not harmonised in terms of deadlines, action, documents and the final outcome. The law sets the provisions generally, with no specific procedures, and any transfer of duties from counties to towns is a matter of assessment and decisions of competent county bodies, sometimes tainted by political connotations or estimates.

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40 Central State Office for Administration, pursuant to the Law on Organisation and Scope of Work of Central State Bodies (Official Gazette, No. 199/03, 30/04, 136/04, 22/05 and 44/06), previously the Ministry of Administration, State Administration Directorate, Ministry of Justice and Local Self-governance.

41 Municipality of Kostrena (3,897 inhabitants), rather prosperous and with steady financing, requested from the Primorsko-goranska county to transfer the founding rights over primary schools.

In order to accelerate the process of transferring competences and tasks to towns, the Association of Towns suggested amendments to the final proposal of the Law on Changes and Amendment to the Law on Local and Regional Self-governance.<sup>42</sup> Thus, one of the proposed provisions provides for the possibility that local units, towns and municipalities, which make up a territorial whole seek and receive competence over affairs which are legally part of county competences. The primary condition for such a transfer would be the existence of a memorandum of understanding. Upon the signing of such a memorandum, local units could ask the county assembly to assign to them, with the approval of the Central State Administration Office, tasks normally within county competence in their territory. An additional condition is the capacity to provide adequate and continuous funding for such tasks.

An amendment also proposed a novelty – an obligatory transfer of competences from counties to unified local units with more than 35,000 inhabitants, which equals the number of inhabitants of a city. It was held that the adoption of this amendment, based in the Law on Local and Regional Self-governance, which sets the criterion for a city of 35,000 inhabitants, would secure the observance of the (constitutional) principle that such tasks should be performed by bodies closest to the citizens. However, the Central State Administration Office has not accepted this proposal.

Within its self-governance competences, counties perform duties of regional importance, in particular in relation to:

- education,
- health,
- spatial planning and urban development,
- economic development,
- transportation and transport infrastructure,
- public road maintenance,
- planning and development of networks of educational, health, social and cultural institutions,
- issuance of construction and site permits and other documents and implementation of documents related to spatial planning for county territories outside major cities.

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<sup>42</sup> The final draft law on changes and amendments to the Law on Local and Regional Self-governance was agreed in April 2007 and it is a form of harmonisation with the Law on Elections for Heads of Counties, the Mayor of Zagreb, Mayors and Heads of Municipalities, introducing direct elections for these offices. Proposals have been discussed but laws have not yet been adopted.

Special laws may define compulsory tasks which the county is obliged to organise, as well as tasks which the county may perform.

In general, although these are original competences, they are not integral. Management of agricultural land is a good example. The state level (Parliament, Government, responsible ministry) maintained the powers of issuing national agricultural development programmes, but also the issuance of measures of structural and land policy, targeted or guaranteed product prices, criteria for farm classification, regulations on different records, on direct sale of agricultural produce, on the methods of use and management of agricultural land, even setting initial prices for land lease. On the other hand, local units can only, for example, prescribe and implement measures for maintaining drainage canals, roads and hedges, drafting local land management programmes, collection of documents necessary for leasing state-owned agricultural land, and filing request for agricultural incentives.

In the field of culture, approvals for commencement of operations of cultural institutions has been kept at state level, as well as, for example, approvals for exchanges of museum exhibits, or closure of an institution, supervision of culture related activities, and financing of special programmes. Local self-governance has the power to establish councils of such institutions and, of course to finance them, provided they are the founders. Programmes of work, some parts of financing, internal acts and management boards are part of the competence of institutions themselves.

## SPECIAL ASPECTS

### Administrative capacities of local units

No special law on employment status and related rights of employees in administrative bodies of local units has been adopted. Starting from 1992, they have been subject to inadequate laws on civil servants.<sup>43</sup> This situation causes constant legal uncertainty and different procedures in different units. Although there is

<sup>43</sup> Local officials were subject to the 1994 Law on Civil Servants (Official Gazette, No. 74/94, 86/94, 7/95 and 75/95), and later the 2001 Law on Civil Servants (Official Gazette, No. 27/01, 86/94 and 7/95), which was superseded in 2005 by the new Law on Civil Servants (Official Gazette, No. 92/05 and 142/06), except for local officers and employees.

no systemic data on the number, qualifications, age or ethnic structure of local employees and staff, in 2003 there were 11,158 employees, in 2004 there were 11,528, and in 2005 there were 11,411. At the same time, the number of persons employed by budget beneficiaries (institutions, theatres, kindergartens, etc.) in 2003 was 16,108, in 2004 it grew to 19,585, and in 2005 it was 19,912.

The expenditure share for employees (salaries, contributions for health and retirement funds, employment contributions, etc.) of the total revenue (revenue from business operations of local units and sale of non-financial property) at the level of local units (for the entire country): in 2003 it was 309,209,307 euros (15.58 % of a total of 1,984,597,845.1 euros (1,887,299,078.6 + 97,298,766.4), in 2004 it was 379,588,332.1 euros (17.62 % of a total of 2,154,404,445.1 euros (2,037,701,469.9 + 116,702,975.2), and in 2005 it was 408,467,273.8 euros (17.14 % of a total of 2,383,204,981.4 euros (2,258,843,107.1 + 124,361,811.2).

### Financing and financial capacities

Local units use their revenues to execute their duties, but they are also provided funds from the state budget, in compliance with regulations setting the criteria for such allocations, i.e. for areas of special state interest. Local units, i.e. municipalities, towns and counties, generate revenues from their own sources, from shared taxation and from aid. There are differences in the sources of financing of towns and municipalities on one hand, and counties on the other, i.e. they all have specific sources of financing.

There are differences in the financing system between municipalities and towns, even among towns themselves, depending on their scope of work. Differences are reflected in their right to introduce additional income tax and the level of such tax, and its overall share of total income tax.

Shared taxes include income tax and real estate trade tax.<sup>44</sup> Income tax is shared between municipalities or towns and the county. Because of the transfer of decentralised functions in primary and secondary education, health and social care to some local units and all the regional units, the share in this tax

<sup>44</sup> Pursuant to the Law on Changes and Amendments to the Law on Financing of Units of Local and Regional Self-governance (Official Gazette, No. 132/06), capital gains tax is no longer shared revenue divided by the state and local units.

revenue differs and depends on the actual transfer.

Income tax share is distributed so that the municipal or town share is 52%, county share is 15%, 12% for decentralised functions, and 21% for adjustment for decentralised functions. Municipalities, towns, counties and the City of Zagreb, which finance decentralised functions pursuant to special legislation, have the right to receive an additional share of income tax, as follows: 3.1% for primary education, 2.2% for secondary education, for social care (0.5% for social care centres and 1.7% for nursing homes), 3.2% for health, and 1.3% for fire protection. There are different shares for towns and cities located in areas of special state concern, such as those in mountainous areas, and islands towns and municipalities, which enter into mutual agreements on joint financing of capital projects of interest for development of the island.

Business operations revenue includes: taxation revenue, assistance received, revenues from their own property, revenues from administrative fees, revenues from special regulations (communal utility fees and contributions and other fees set by special legislation), residence fees and other fees set by laws, fines and confiscated gains for misdemeanours regulated by the units themselves, donations, and other revenues set by law. The most important share is certainly from taxation, communal utility fees and from their own property. Local units often own property which can generate considerable income. Such property usually comprises land, business premises and flats for rent, i.e. property managed as business in order to generate income.

Municipal and city taxes include income tax, consumer tax, taxation for vacation homes, taxation for companies or company names and taxation for the use of public areas.<sup>45</sup> Supplementary income tax is paid at the rate set by the town/municipality where the residence of the taxpayer is. A municipality may set additional income tax at a maximum level of 10% of the total amount, a town of less than 30,000 inhabitants may do so up to the level of 12%, a town with more than 30,000 inhabitants up to 15%, whereas the City of Zagreb may do so up to 30%.

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<sup>45</sup> Ruling of the Constitutional Court No. U-I/1559/2001 (Official Gazette, broj 26/07) abolished provisions for the Law on Financing which gave local units the possibility to generate revenue from taxation on unused arable land, taxation on unused business premises and taxation on unused construction land.

Consumer tax is paid for consumption of alcoholic and non-alcoholic beverages in catering facilities. Towns and municipalities may prescribe their own taxation rates. Taxation for vacation homes is paid per square metre of usable surface, and the rate is set by the town or the municipality. Taxation for companies or company names is paid by natural or legal persons who normally pay capital gains tax and are registered for their activities. This is also paid annually at the rate set by the town or the municipality. Taxation for the use of public areas is paid at the rate and in the way as set by the municipality or the town, and taxpayers are natural or legal persons who use public areas.

Aid includes the additional financing of local units, dependent on the actual difference between their necessary budget expenditure and their fiscal capacities. There are two types of aid, general and earmarked. Aid entitlement includes local units with fiscal capacities below the average, i.e. those which cannot finance the necessary spending with their own resources. Municipalities and towns whose per capita income with average taxation remains below the county average (excluding cities with more than 40,000 inhabitants) are provided aid by the county from its own budget to cover the difference between the actual per capita income and 75% of the average per capita income of the county. Moreover, aid cannot be provided to municipalities and towns whose supplementary income tax is less than 1% and whose local taxation rates are less than the legally prescribed rate. Counties with towns, where municipal or county revenues per capita are less than the country average (except for the City of Zagreb) are provided aid by the state in the amount of the difference between per capita income and 75 % of average state per capita income with the same restrictions as in the first case.

Units which cannot secure adequate financing for decentralised functions from the supplementary income tax are provided with additional adjustment funds, on the basis of criteria prescribed by the Government of the Republic of Croatia.

Earmarked (capital) aid is granted for financing key projects and also as aid to towns and municipalities which suffered damages or natural disasters.

Municipalities and towns also generate income set by special regulations.



Thus, pursuant to the *Law on Forests*,<sup>46</sup> legal and natural persons who sell products from forest exploitation pay a special forest fee of 2.5% of the retail price of the product. Pursuant to the *Law on Arable Land*,<sup>47</sup> 50% of the total income from leasing or selling arable land owned by the state goes to the municipal or town budget. Pursuant to the *Law on Residence Fees*,<sup>48</sup> municipal or town budget takes 19.5% of the total residence fees collected, and such funds can only be used for refurbishments related to tourism.

Pursuant to the *Law on Concessions*<sup>49</sup> and the Law on Financing, municipalities and towns collect 50% of total concessions for exploitation of mineral and thermal water, and 30% of the total concession for water exploitation for the public water supply. Pursuant to the *Law on Maritime Goods and Ports*,<sup>50</sup> municipalities and towns draw one third of the total concessions for exploitation of maritime goods, and the full amount of concession fees. Pursuant to the *Law on Changes and Amendments to the Law on Protection and Preservation of Cultural Heritage*,<sup>51</sup> there is a monuments fee, collected and divided between the state (40%) and the town or the municipality, entitled to 60%. Pursuant to the Law on Mining, towns and municipalities are entitled to the entire fee for exploitation of mineral ore, which amounts to 2.6% of the total revenue from sales of mineral resources.

Non-financial property is a more important source of income for towns and municipalities. Local units often have non-financial property which can generate considerable income. This usually comprises land, business premises or flats for rent or sale, i.e. property managed in the open market in order to generate income for financing their operations. Such revenues can only be used for maintenance or acquisition of non-financial property.

Here are some financial indicators, keeping in mind that data is often collected and processed with considerable delay. The local unit share in general

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46 Law on Forests (Official Gazette, No. 140/05 and 82/06).

47 Law on Agricultural Land (Official Gazette, No. 66/01, 87/02 and 90/05).

48 Law on Residence Fees (Official Gazette, No. 27/91, 109/93, 30/94, 35/95 – edited text, 30/99, 64/00 i 42/05)

49 Law on Concessions (Official Gazette, No. 85/92).

50 Law on Maritime Goods and Sea Ports (Official Gazette, No. 158/03 and 141/06).

51 Law on Changes and Amendment to the Law on Protection and Preservation of Cultural Heritage (Official Gazette, No. 151/03).

(state) revenue in 2000 in Croatia was 14.9% (to compare: Bulgaria 16.9%, Czech Republic 20.8%, Hungary 26.7%, Poland 28.8%, Slovak Republic 5.6%, Denmark 43.8%)<sup>52</sup>. Local unit revenue share of the 2000 GDP was 7.4% (to compare: Bulgaria 7.3%, Czech Republic 8.6%, Hungary 11.1%, Poland 12%, Slovak Republic 2.4%, Denmark 30.7%). Local units expenditure share of the 2000 GDP was 7.6% (to compare: Bulgaria 7%, Czech Republic 7.9%, Hungary 10.4%, Poland 12.1%, Slovak Republic 2.7%, Denmark 30.5%).

The share of three key sources of revenue (taxation, non-taxation, aid) in the total local unit revenues in 2000 was: a) taxation revenue 57.1% (to compare: Bulgaria 46.3%, Czech Republic 47.7%, Hungary 33%, Poland 24.5%, Slovak Republic 67.1%, Denmark 51.4%), b) non-taxation revenue 28.6% (to compare: Bulgaria 13.8%, Czech Republic 36.3%, Hungary 17%, Poland 24.2%, Slovak Republic 20.9%, Denmark 8.2%), and c) aid 14.3% (to compare: Bulgaria 39.9%, Czech Republic 16%, Hungary 50%, Poland 51.3%, Slovak Republic 12%, Denmark 40.4%). At the same time, there is a breakdown of average per capita expenditure for different groups and categories for the period 2003-2005.

In total, at the level of the state, the average expenditure of local units was 409.42 euros per capita, of which 84.8 euros were administration costs (political bodies, administration), economy and communal utility costs amounted to 161.29 euros, preschool costs 22.74, primary education costs 29.32, secondary education costs 14.1 euros, social care 21.62, fire protection 13.82, health 61.77. Other expenditure for areas of assigned responsibility (entrepreneurship loans, tourist season health facilities, etc.) amounted to 16.59 euros per capita.

County level expenditure was 90.56 euros per capita, with administration costs taking up 16.09, 14.10 for economy and communal utility costs, 17.67 for primary education, 13.58 for secondary education, 8.48 for social care, 18.68 for health care, and 2.30 euros per capita for other expenditure.

Average per capita expenditure in 32 towns which received decentralised functions in 2001 was 424.05 euros, of which: administration costs 68.09 euros,

<sup>52</sup> Sources: Ministry of Finance and OESR – Office of Economic and Statistical Research, “Fiscal Decentralization in EU”.

economy and communal utility costs 178.53, health 68.27, preschool care 33.96, primary education 25.44, social care 20.75, fire protection 21.26, and other costs 7.74 euros per capita.

The average per capita expenditure of other municipalities was 260.95 euros, of which: administration costs 67.19 euros, economic and communal utility costs 129.84, health 24.68, preschool care 15.85, social care 8.58, fire protection 8.38, and other costs 6.54 euros per capita.

### Mutual cooperation and association of local units

Cooperation among local units entails joint execution of certain tasks, organised by two or more local units, upon mutual agreement. A precondition for such cooperation is the need to resolve a common problem and to organise services of mutual interest in a more efficient and cost-effective manner. There is no merger or abolishment of local units.<sup>53</sup> That is why inter-municipal cooperation is probably the best (and the only) mechanism for elevating the level of efficiency in service provision in smaller and underdeveloped local units. Only through cooperation, local units can bridge the gap between development needs and lacking funds, use their own resources and improve both the quality and the quantity of their service provision.

The basis of cooperation among local units can be found in the Law on Local Self-governance, but specific assistance and specific incentives for such cooperation are yet to be elaborated.<sup>54</sup> The Law on Local Self-governance can and should be amended by provisions on cooperation or on specific cases in order to establish mandatory cooperation and financial incentives for those units which do cooperate, to provide public information on benefits from such cooperation and on assistance for establishing it.

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<sup>53</sup> There are reverse tendencies towards further administrative fragmentation. In April 2007, the Zagreb Assembly received three initiatives for new municipalities.

<sup>54</sup> Antić, Teodor, "Općenito o mogućnostima međuopćinske suradnje u Hrvatskoj - Pravni okvir za suradnju lokalnih jedinica – usporedna iskustva i mogućnosti", Zagreb, 2001. pp. 20-24.

### Cooperation in communal utility services

Joint communal utility offices are a concrete form of cooperation arising from interests of several local units. The legal basis for it is in the *Law on Communal Utility Management*<sup>55</sup> which prescribes that two or more local units may organise some of their operations jointly. For that purpose, they may establish a joint body or department, or a joint company, and they may organise its operations jointly, in accordance with specific laws. Mutual relations of local units in such operations are regulated by agreements and their statutes and general acts. A joint communal utility office is responsible for supervising the observance of local regulations on the maintenance of settlements, the care and maintenance of public areas, collection, disposal and processing of communal waste, snow and ice clearance, and unlawful placement of objects.

**Krk water supply (one island – seven local units).** Until 1992, Krk was a single territorial and administrative unit, divided into the Town of Krk (5,491 inhabitants, territory of 110.41 km<sup>2</sup>) and the municipalities of Baška (1,554 inhabitants, 39 km<sup>2</sup>), Dobrinj (1,970 inhabitants, 62 km<sup>2</sup>), Omišalj (2,998 inhabitants, 55 km<sup>2</sup>), Malinska-Dubašnica (2,726 inhabitants, 39 km<sup>2</sup>), Punat (1,876 inhabitants, 82 km<sup>2</sup>) and Vrbnik (1,245 inhabitants, 50 km<sup>2</sup>).

After its division into seven local units, all the units entered an agreement setting their share in the “Ponikve” public utility company. An approval of the unit office of the service is to be secured in order to set the price of such public utility service. Shares are divided according to the value of infrastructure and the value of investments in each municipality. Most of the share goes to the Town of Krk, although no single local unit has more than 50%. For example, the share of the Omišalj municipality is about 15%. As for major investments for all the units funded from their own budget, they need an approval of all the representative bodies (municipal or town council). The public utility company also manages solid waste disposal for all the units. Each council must approve a collection and disposal programme as well as any investment. The disposal site is located in the Vrbnik municipality and has been repaired. As of recently, waste disposal also includes recycling.

<sup>55</sup> Law on Communal Management (Official Gazette, No. 36/95, 70/97, 128/99, 57/00, 129/00, 59/01, 26/03 – edited text, 82/04 i 178/04).

Major projects are related to water supply for the island of Krk from 2001 to 2008 (15,068,493.2 euros) and waste disposal (6,849,315.1 euros). Any change in the investment programme must be approved by each council. Investments are funded through the price of water, communal utility company loans, ministry funds, funds from the Primorsko-goranska county and the state public water supply company "Hrvatske vode".

The Town of Krk is the founder of the public fire brigade which covers the entire island funded by all the units. Pursuant to the Agreement on Funding the Fire Brigade, funds are merged and paid to the fire brigade to fund their regular activities and development. The amount is set by the Law on Fire Protection. Allocation is as follows: 30 % to individual brigades, 50% to the public fire brigade of the island, and 20% for joint activities in accordance with the financial plan.

Although harmonisation of interests is not a simple task and since every local unit has its own priorities, coordination on the island of Krk is considered successful and is often cited as a model for other local units in Croatia.

**The Town of Crikvenica and the neighbouring units.** In 1992, the municipality of Crikvenica was divided into three local units, towns of Crikvenica (11,348 inhabitants, 32 km<sup>2</sup>), Novi Vinodolski (5,282 inhabitants, 24 km<sup>2</sup>) and the Vinodolska municipality (3,530 inhabitants, 150 km<sup>2</sup>).

An agreement on division of a joint public water supply was reached so that Novi Vinodolski received 51% of the share, Crikvenica 38%, and Vinodolska municipality 11%. All the decisions related to the price of water, development programmes and the partition of resources are to be reached by consensus of the three owners, whereas other decisions are reached by a majority vote, including decisions on appointment of company directors.

**The Town of Slatina and the neighbouring municipalities.** In 1992, the municipality of Podravska Slatina was divided into the town of Slatina (14,819 inhabitants, 156 km<sup>2</sup>) and five new municipalities, Čađavica (2,394 inhabitants), Mikleuš (1,701 inhabitants), Nova Bukovica (2,096 inhabitants), Sopje (2,725 inhabitants) and Voćin (2,421 inhabitants), of total territory of 735 km<sup>2</sup>.

Although the newly established municipalities are trying to improve their

financial situation, the fact is that they are financially unable to provide basic services. That is why Slatina is still the centre in terms of health, education and social care services.

There are many reasons for Slatina and other municipalities to cooperate, the key ones being exchange of information and experiences, joint lobbying, multiplication of existing resources, pooling of experts at the local level and creation of technical support, but also collection of good examples and proposals for future projects. Cooperation is necessary to strengthen the dialogue between local communities and citizens (NGOs and associations), on problems of infrastructure, education, health, culture and other activities related to tourism and industry development. Although here are numerous examples of cooperation in all these areas (joint investment in NGO centres, acquisition of vehicles for disabled persons), there has been no formal cooperation agreement.

The town of Slatina initiated a strategic plan of economic development in collaboration with the World Bank, covering the entire territory of its municipality. Each unit taking part in the project has signed a contract with a consultancy company – a development office-- and will co-finance the project. The aim of the project is to design and harmonise development measures and activities of local units and unify them at the level of the county so that a set of county measures are integrated into a feasible state development policy. This example shows that the role of the central town, the former municipal seat, remains very important. The town is still the centre for all other municipalities and it continues to work on development and better service provision in the entire area.

**The Town of Slunj and six neighbouring municipalities.** In 1992, the municipality of Slunj was divided into the town of Slunj (6,096 inhabitants, 401 km<sup>2</sup>) and municipalities of Cetingrad (2,746 inhabitants, 140 km<sup>2</sup>), Josipdol (3,987 inhabitants, 165.41 km<sup>2</sup>), Plaški (2,292 inhabitants, 157.42 km<sup>2</sup>), Rakovica (2,623 inhabitants, 261 km<sup>2</sup>), Saborsko (860 inhabitants, 132 km<sup>2</sup>) and Tounj (1,252 inhabitants, 95 km<sup>2</sup>). Even after separation, the newly created units continue to coordinate their activities.

In early 2005, the town of Slunj and the neighbouring municipalities signed an agreement on a joint “Comprehensive Development Project”, in order to initiate sustainable regional development and development of rural areas. The

joint project is based on the fact that these local units share the same territory and similar economic problems, a high level of unemployment, and the same development potentials (proximity of the Plitvice National Park).

The town of Slunj initiated a joint agricultural program which included the establishment of an agricultural cooperative. The role of local units was to help set up the cooperative, to secure financial incentives and subsidies, and to design and implement business plans. The town of Slunj is already implementing incentives for different types of agricultural production, but considerable support measures still come from the Karlovačka county.

The town of Slunj has an industrial zone and a SME zone. The town is partial owner of the zones, and in 2005 it announced a bid to sell them, so that the currently underutilised capacities would be in full use. In order to secure financial incentives, the town of Slunj, the Karlovačka county and the bank signed an agreement to merge their funds. Incentives were introduced for companies within the zone, exempted from 80% of communal utility fees, paying no more than 20%.

It is irrational for each municipality to have its own garbage disposal site. There is a temporary disposal site about to be closed. An environmental study has been prepared to assess possibilities for waste disposal at a particular location in the county, so that waste from all the units would be recycled and disposed at a new site, to be built and funded by the Karlovačka county.

Cross-border cooperation with Bosnia to protect the river Korana and its tributaries is in its initial stages. Representatives of the two governments met for the first time, along with local officials and the public water supply company "Hrvatske vode". They supported the idea of a project. At a meeting held in 2005 as part of a cross-border initiative, representatives of the Bosnian Unsko-sanski canton, the Slunj tourism association and the chamber of commerce agreed on further cooperation.<sup>56</sup>

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56 Pigej, H.J and Tomašević, V., "Suradnja među jedinicama lokalne samouprave u svrhu pružanja javnih usluga", Urban Institute / PRLS – USAID, Zagreb, 2006.

### Inter-municipal cooperation in Eastern Slavonia

In the territory of Osječko-baranjska and Vukovarsko-srijemska counties, there is a joint project by HILS (Croatian Local Self-governance Institute–Osijek) and VNG International (Dutch Association of Local Units). The project deals with good local governance, inter-municipal cooperation and political action, and the aim is to promote and apply concepts of inter-municipal cooperation so that local officials and other managers will build an awareness of the need for municipalities and towns to associate. The aim is to be attained through the establishment of new forms of association, allowing towns and municipalities to respond more efficiently to problems they have to deal with. Notably, they established an Office for International Cooperation. Four local mayors (Tovarnik, Nijemci, Tompojevci and Lovas) established a joint office in Tovarnik, and for a small annual fee, the office will give the towns and municipalities an opportunity to use it as the centre for inter-municipal cooperation and civic participation even after the project has ended. Namely, Eastern Slavonia used to have above-average growth rate and living standards, whereas today numerous indicators list it as one of the poorest parts of the state and an area of special state concern.

### Internal decentralisation within local units

Along with the possibility of transferring competences from counties to towns (cities and county seats), the Law on Local Self-governance allows for a local representative body to decide on the transfer of certain affairs to either the county, or the local self-governance bodies (local boards, city suburbs, districts) which have legal personality, their own accounts and publicly elected bodies. The town of Crikvenica should be mentioned as it transferred supervision of utilities to local boards. However, in general terms, although local bodies have legal personality and their own bank accounts, local self-governance units are not prone to transfers of their competences. The exception is the City of Zagreb, where suburbs dispose of considerable funds.



## Local election models

The first ordinary local elections held in 1993<sup>57</sup> were preceded by the *Law on Election of Representative Bodies of Local Self-governance and Governance*<sup>58</sup> which introduced the majority system and a partial proportionate representations system, and prescribed other issues related to elections, nominations, operations of bodies implementing and supervising lawfulness of elections, and protection of election rights.

The first Election Law was adopted in 1992 and amended in 1995 and 1996. Although both amendments improved the legal norms, there were no new provisions, but rather improvements in order to increase the proportional representation system and in 2001 the majority system of individual election of candidates was abandoned altogether. As there was a considerable shift in favour of the proportional representation system, the next local elections, held in 1997<sup>59</sup> were a combined model, using majority vote for one quarter of local council members, and three quarters elected in the proportional representation system, i.e. party lists and independents lists. Elections covered the entire territory of the country, and there were no major problems which dominated the first local elections. For example, the distribution of ballot stations, which required considerable funds and caused major difficulties in the first elections. The third local elections were held in 2001<sup>60</sup> on the basis of the new Law on Local Elections adopted in the spring of the same year.

Although elections are held every four years, it is clear that some parts of election legislation are applied and interpreted differently in the four-year term of office of local representatives. It is therefore incorrect to say that election legislation is the basic technical regulation which allows for elections to be

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57 The first general elections for municipal and town councils, county assemblies and the Zagreb Assembly were held on 7 February 1993. They elected 16 members of municipal councils, 26 for town councils, 40 for county assemblies, and 50 for the Zagreb Assembly. After the initial numbers set by the law, details were left to local statutes. Today, the 2001 Law on Local and Regional Self-governance prescribes the scales within which statutes can determine the number of members.

58 Law on Election of Representative Bodies of Local Self-governance and Governance (Official Gazette, No. 90/92, 69/95, 59/96, 63/96 i 64/00).

59 The second local elections were held on 13 April 1997.

60 The third local elections were held on 20 May 2001.

held. This is, first of all, related to the precise definition of commencement and termination of terms of office, the incompatibility of simultaneous functions of a local council member and other duties, and the replacement of members whose term of office ends due to another legally prescribed reason. Changes of party affiliation during the term of office often change the initial party structure set up after the elections, thus altering the wishes expressed by voters. They have also caused problems in the functioning of representative bodies, removal of the executive (council members, local mayors and heads of counties); and have led to new, extraordinary elections. The code of ethics for local self-governance, to be applicable to new local council members, should define these issues but it has not yet been adopted. Some local units have adopted their own codes applicable to council members and employees in administrative bodies.<sup>61</sup>

It should be noted that a proportional representation system has been adopted for local and regional levels, despite expert suggestions that majority system should be maintained as a form of personalised choice of candidates, specifically because of the fact that they are known in their local communities. This would secure a slightly fairer representation of local communities within a single unit.

The new 2001 Law provided better implementation and technical provisions, particularly those regulating composition, competences and powers of bodies directly responsible for organisation and supervision of elections because local elections boards, along with election committees of municipalities and towns, are directly responsible for contact with voters. Although there have been suggestions that the concept of election should be changed and that the two systems (proportional representation and majority) should be used on the basis of the number of inhabitants of a local unit, the dominant concept is of a uniform system on all levels of local self-governance, irrespective of its status, size or population. Representative bodies of small municipalities, some with fewer than 300 inhabitants, just like representative bodies of cities and counties, are elected by a proportionate representation system, with a change in the entire composition of the body.

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<sup>61</sup> The Code of Ethics for holders of political office in the City of Opatija was adopted by the City Council on 24 April 2007, and the Code of Ethics of city authorities was adopted on 27 March 2007.

### Voter turn-out at local elections

Voter turn-out continues to drop, particularly at local elections. This trend is even more evident when comparing voter turn-out at extraordinary elections, organised following suspensions of representative bodies. There are no specific proposals for changes in legislation, which could lead to greater turn-out. However, there are also no provisions that would restrict the validity of elections on the basis of the actual voter turn-out.<sup>62</sup> At the 2001 local elections for 422 municipal and 123 town councils, 20 county assemblies and the assembly of the City of Zagreb, with a total of 6,430 ballot stations, the total number of registered voters was 3,886,720. The response was 46.85%,<sup>63</sup> much less than in 1997. The poorest turn-out was in Zagreb, a mere 39.79%. As for gender equality, candidate lists had just 22.10% women, with the highest numbers in Zagreb, 29.41%.

At the 2005 local elections for 426 municipal and 123 town councils, 20 county assemblies and the assembly of the City of Zagreb, there were a total of 6,589 ballot stations, the total number of elective seats was 8,377, and there were 63,717 candidates – eight per seat. The voter register had a total of 4,015,832 voters.<sup>64</sup> The average turn-out was 28.51%, the highest in the Varaždinska county -- 38.08%, and the lowest in Splitsko-dalmatinska – 24.85%.

Voter turn-out at local elections:

Election year	Voter turn-out
1997.	53,85%
2001.	46,85%
2005.	28,51%

<sup>62</sup> The final draft of the Law on Direct Elections provides that a referendum on dismissal of an executive official can be valid only if at least 33% registered local voters actually vote.

<sup>63</sup> Data from the OSCE Final Report, Election Monitoring Mission to Croatia, 11 July 2001.

<sup>64</sup> Data from GONG, non-partisan organisation, "Citizens Supervise Elections".

Voter turn-out at presidential elections:

Election year	Voter turn-out
2000.	60,88%
2005.	50,57%

Voter turn-out at parliamentary elections:

Election year	Voter turn-out
1992.	75,61%
2003.	61,70%

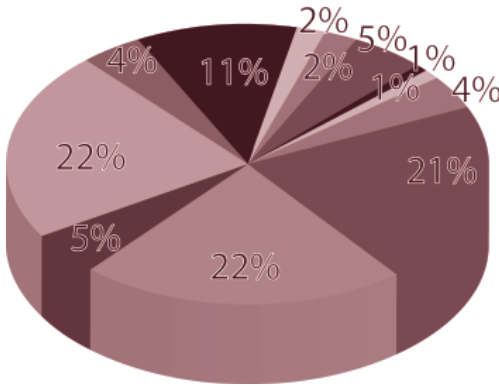
Low voter turn-out is explained by: a lack of voter interest in elections and politics in general (18.50%), the impossibility to “select” due to general dissatisfaction with political parties (10.40 %), no positive perception, even the criminalisation of candidates (11.50%), and a lack of confidence in local politicians (8%).<sup>65</sup>

There seems to be a constant increase of voters voting for independent lists. An interesting aspect that would certainly contribute to greater voter response would be the possibility of direct election for executives in local units,<sup>66</sup> local mayors, heads of counties and the mayor of Zagreb. Although the draft Law on Direct Elections for Local Executives did take place in Parliament in May 2007, the draft has now been submitted for a third reading.

<sup>65</sup> Research by the PLUS agency for the Urban Institute, spring 2006.

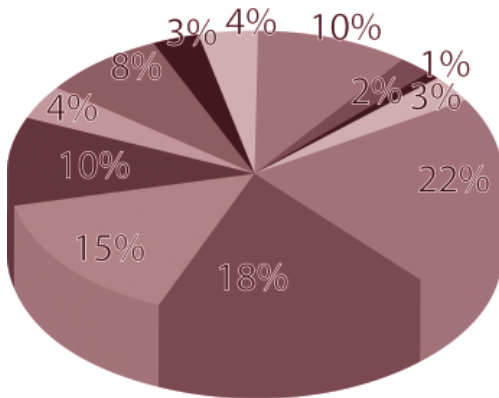
<sup>66</sup> Direct election for mayors, heads of municipalities and counties and the mayor of Zagreb are supported by 85% of all citizens, according to research the PLUS agency for the Urban Institute, spring 2006.

What do you see as the principal shortcomings of politicians?<sup>67</sup>



- 21% Dishonesty
- 22% Corruption
- 5% Laziness
- 22% Tendency toward corruption and criminality
- 4% Cowardice
- 11% Stupid/Uneducated
- 2% Tendency toward alcohol and drug abuse
- 2% Impiety
- 5% Cunning
- 1% Prone to adultery/Womanisers
- 1% Don't know
- 4% Don't want to answer

Which virtue or ability do you value in politicians?



- 22% Honesty
- 18% Wisdom
- 15% Knowledge and education
- 10% Life experience
- 4% Courage
- 8% Cunning
- 3% Oratory skills
- 4% Kindness and honesty
- 10% Patriotism
- 2% Charm
- 1% Don't know
- 3% Don't want to answer

67 Pilot public opinion survey from 1993, Slaven Leticia, "Divlje misli", AGM Zagreb.

## Ethnic composition and representation at local level

The Constitutional Law on Human Rights and Freedoms of Ethnic and National Communities or Minorities in the Republic of Croatia<sup>68</sup> was adopted in 1992 and it defined special autonomy of two districts, Knin and Glina. The then municipalities of Knin, Obrovac, Gračac, Titova Korenica (later Plitvička Jezera municipality – with a seat in Korenica) and Donji Lapac – made up the district of Knin, whereas the municipalities of Glina, Vrginmost (later Gvozd), Hrvatska Kostajnica, Dvor na Uni and Vojnić were part of the Glina district. However, local elections for assemblies were never held and the districts never became functional.

Today, the rights of national minorities are regulated by the Constitutional Law on Rights of National Minorities<sup>69</sup> which obliges Croatia, inter alia, to secure for members of national minorities the right to representation in bodies of local units. In municipalities and towns (units of local self-governance), such representation is ensured by guaranteeing for minorities which make up 5%–15% of the population at least one member in the representative body, and for those which make up more than 15% of the total population – representation proportionate to the percentage in the total population of the unit. Representation in counties is secured in such a way that each minority which makes up more than 5% of the total population has guaranteed representation in the assembly, depending on their total share. In both cases, if such representation is not achieved at elections, the number of members of the representative body is increased by the number of representatives of the minority necessary to ensure their legally guaranteed representation. If representation cannot be achieved by adding non-elected members from lists of candidates, supplementary elections are organised. Detailed provisions on incorporation of minority representatives in representative bodies, as well as detailed provisions on supplementary elections, are contained in the Law on Election of Members of Representative Bodies.

Pursuant to the 2001 population census, with no indication of percentage and no such basis for representation, members of national minorities are present in representative bodies of 37 towns, 107 municipalities and 10 counties.

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68 Constitutional Law on Human Rights and Freedoms and on Rights of Ethnic and National Minorities in the Republic of Croatia (Official Gazette, No. 34/92).

69 Constitutional Law on Rights of National Minorities (Official Gazette, No. 155/02).

Supplementary elections to secure representation were held on 15 February 2004 (relatively late in relation to local elections, held in May 2001), for representation bodies of 20 towns and municipalities and one county, whereas other councils added members of national minorities from their election lists. Supplementary elections were also held on 23 October 2005 (following the elections in May 2005). But they were held only for one town council (Drniš) and three municipal councils (Lovas, Nijemci, Tovarnik), as all other bodies achieved representation either at elections, or by adding members from election lists. Supplementary elections were held in two municipalities in Eastern Slavonia, where members of the Croat people had to be added to the council.

There is particular concern caused by poor voter turn-out at supplementary elections and for elections for national minority members of councils,<sup>70</sup> elected in compliance with the constitutional law in order to promote and protect national minority rights at the level of local units.

Representation of national minorities is secured in head offices, executive bodies of local units (for all the units with proportional representation rights) and in administration offices and services of local units.

### Official equal use of language and script at local levels<sup>71</sup>

Official use of the Croatian language and Latin script is prescribed by the constitution. In some units, in addition to the Croatian language and Latin script, official use may include another language or Cyrillic or other scripts, under conditions prescribed by law.

According to the 2001 census, Croatian was the mother tongue of 4,267,135 persons, i.e. 96.17% inhabitants, whereas 3.83% spoke other languages. The Ratification of

<sup>70</sup> Voter turn-out for election of Bosniac minority representatives in the Omišalj municipality was 34.48%, whereas for the Slovene minority representative for the Primorsko-goranska county council was 3.41%, 0.57% for the Italian minority and 0.00% for the Bulgarian minority in the City of Zagreb. This data is for elections held on 15 February 2003, whereas the next election for minority representatives will be held on 17 June 2007.

<sup>71</sup> Data from the government report on the implementation of the Constitutional Law on Rights of National Minorities and disbursement of funds earmarked in the 2005 state budget for national minorities. The report was prepared in June 2006. The government is required to inform the parliament once a year on the implementation of the constitutional law. The government is expected to submit the 2006 report in June.

the European Charter on Regional and Minority Languages<sup>72</sup> was an additional basis for legal provisions regulating individual minority rights as guaranteed by the constitution and the Constitutional Law on National Minorities.

Official equal use of minority languages before state and local bodies of governance is regulated by the Law on the Use of National Minority Languages and Script in the Republic of Croatia<sup>73</sup> and it is exercised in those units (or areas within them) where minorities make up one third of the population. Equal use of language and script is exercised when thus provided by international treaties, or when prescribed by the statute of a local unit. It should be noted that the Law on the Use of Language and Script does not change or diminish the rights of national minorities acquired on the basis of treaties that Croatia is state party to, or the rights acquired by regulations applied prior to this law (until 27 May 2000). Equal use of national minority language and script in the territory of a local unit is exercised in the work of representative and executive bodies and in proceedings before administrative bodies of the local unit.

In the territory of the Sisačko-moslavačka county, equal use of the Serbian language and Cyrillic script was introduced by the statutes of two Serb majority municipalities, Dvor (60.87%) and Gvozd (53.03%). In the Karlovačka county, the same is set in the municipalities of Krnjak (61.55%) and Plaški (45.99%) for the Serb population; in the Bjelovarsko-bilogorska county, in the Končanica municipality (46.67% Czech inhabitants) and the town of Daruvar (for parts where Czechs make up one third). In the Primorsko-goranska county, equal use of language and script is missing in the town of Vrbovsko (36.23% Serb population), whereas it is guaranteed in the Ličko-senjska county in the municipalities of Donji Lapac (73.56%) and Vrhovine (55.03%) with Serbian population. In the Zadarska county this has not been done, although conditions exist in the Gračac municipality (38.82%). In the Osječko-baranjska county it is exercised in the municipalities of Jagodnjak (64.72% Serbs), Bilje (35.05% Hungarians), Kneževi Vinogradi (40.90% Hungarians) and Šodolovci (84.55% Serbs), whereas in the municipality of Punitovci (35.57% Slovaks) equal use of the Slovak language has not been ensured yet. In the Šibensko-kninska county, the Serb population makes up the majority in four units of local self-governance, but only the municipality

<sup>72</sup> European Charter on Regional and Minority Languages (Official Gazette - Treaties, No. 18/97).

<sup>73</sup> Law on the Use of Language and Script of National Minorities in the Republic of Croatia (Official Gazette, No. 52/00 i 56/00).



of Biskupija has a statutory provision on equal use of language and script. In the Vukovarsko-srijemska county, the law is implemented in municipalities with Serb majority population: Borovo (86.57%), Negoslavci (96.59%), Markušica (90.76%) and Trpinja (89.30%), as well as in Tompojevci (for parts with majority Ruthenian or Hungarian population) and Tordinci (with Hungarian majority). In the Istarska county, there is equal use of the Italian language in the following municipalities: Bale, Brtonigla, Fažana, Grožnjan, Ližnjan, Motovun and Oprtalj, and for the towns of Buje, Pula, Vodnjan, Rovinj, Umag and Novigrad. Therefore, according to the available data, equal official use of language and script is implemented in 32 local units.

It should be said that the state budget and budgets of local units secure considerable funds for minority associations, allowing for preschool care in national minority languages, primary and secondary education in relevant languages, and with special curricula for specific cultural needs. The National Minorities Council plays an important role in this. Pursuant to its Programme of Work,<sup>74</sup> the council has supervised the presence of national minorities in public life and management of local affairs through their representatives, their representation in administration and the judiciary, at local units, provision of education in minority languages, cultural autonomy and access to public media, both at state and at local levels. The system is generally assessed as functional. However, it was noted that the work of representatives is largely conditioned by the level of the development of local units, primarily in terms of premises and financial possibilities for their work. This is most evident in areas of special state concern. Despite good examples from some local units, there are problems in ensuring basic conditions. Although councils and members do have legitimacy, allowing them to participate in decisions on issues of interest for national minorities, their real influence is not exercised in full, as provided by the constitutional law.

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<sup>74</sup> Programmes of Work of the National Minorities Council were published in the Official Gazette as follows: 106/03 for 2003, 15/04 for 2004, and 31/05 for 2005, and 24/06 for 2006 and 26/07 for 2007.

## Civic participation in local decision-making

The Law on Local Self-governance allows citizens to be directly involved in decisions on local affairs, through referenda and local rallies, in compliance with law and the local statute. In compliance with the Law on Referenda,<sup>75</sup> a referendum can be organised for proposals to change statutes, general acts, or for any other issue covered by the representative body, as well as other issues as set by law and the statute. A referendum is organised by the representative body and it can be initiated by one third of its members, by the executive, and in municipalities and towns, it can be initiated by one half of all local councils and 20% of total registered voters. The first referendum vote is limited to residents of the municipality, town or county.

There is also an advisory referendum, but it can only be organised by the Government of the Republic of Croatia on issues of territorial organisation. <sup>76</sup>Decisions of advisory referenda are not binding unlike state or local referenda.

Municipal and town councils may request local councils to give their opinions on draft acts or other issues within their competence, as well as any other issue set by law or the statute. Equally, 10% of total registered inhabitants have the right to propose to their councils decisions on issues within their competence.

Bodies of local and regional self-governance are obliged to allow citizens and legal persons the possibility to file complaints against their work and the work of administrative bodies, or any incorrect conduct of their employees. A response to such complaints must be provided no longer than 30 days following their submission.

Research conducted in the town of Glina in 2005 showed that as much as 81% of total urban and 96% of total rural population believe that town authorities should take citizens' opinion into account through public debates, round tables, and other forms of public opinion presentation. Also, 87% of all urban and 84% of total rural population expect representatives of civic interest groups to be included in working groups and advisory bodies dealing with issues of general

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<sup>75</sup> Law on Referenda and Other Forms of Civic Participation in Decision-making (Official Gazette, No. 36/96)

<sup>76</sup> An advisory referendum was organised and held in 1996, on the eve of the referendum on regional organisation in order to confirm the will of the citizens and to determine territorial affiliation of several towns and municipalities.

interest. All this indicates that citizens are willing to share greater responsibility in key decisions of direct or indirect impact on the quality of their lives.

### Quality of services provided to the citizens

In all the countries in the region, there are no systemic or continuous polls indicating trends in client satisfaction with services provided by local units, and Croatia is no exception.

In opinion polls conducted in the town of Glina in 2005, citizens indicated unemployment as the key problem, although it is in no way exclusively linked with any particular town. Still, this does not diminish the need to focus efforts and resources on resolving this problem, or on reaching greater level of satisfaction by launching economic initiatives and creating preconditions for communal infrastructure development.

The second problem indicated by the citizens was road construction and maintenance, followed by public and suburban transport. Many are dissatisfied with services provided to youth and children. Many are also dissatisfied with the lack of accountability of city authorities, water supply heating, cleaning and maintenance in towns and suburbs. Along with this, the maintenance of stairwells in housing blocks is also an area of considerable dissatisfaction.

## INSTEAD OF A CONCLUSION

In any case, Croatia's path towards the development of local self-governance, and thus towards stronger local democracy, has been characterised by the fragmentation of local units and the inadequate definition of their scope of work. Existence of parallel local units with dramatic shortages of funding in the initial stages prevented local units from assuming their duties and powers. The legislator used this as the justification for maintaining duties and competences of the state. Only the categorisation of local units and the status of cities (with a possibility of transfer of duties to those with financial potentials) marked a significant step towards the

decentralisation of duties, powers and finances to local units. It is important to note the role of associations of local units, which can and should initiate legislative changes. The most important task for the future is certainly how to secure adequate funds that can be transferred from the state to local units, particularly in light of the current trend of transferring duties to local units without adequate financial support.



Goran ANGELOV

# TRIAL AND ERROR – EXPERIENCE

– Local Self-Governance in Macedonia –



## INTRODUCTION TO THE STATE OF LOCAL POWER IN THE REPUBLIC OF MACEDONIA FROM 1990 TO 2007

The Republic of Macedonia gained its independence on 8 September 1991, through a referendum where the majority opted for an independent and sovereign Macedonia. The creation of an independent and sovereign Republic of Macedonia was welcomed euphorically by its people, but also with a fair amount of fear for their future. The process of creating an independent and sovereign state enabled the central power in Macedonia, the parliament and the government, to centralise the Republic of Macedonia maximally.

The state of local power in the Republic of Macedonia can be analysed from three points of view:

- legislative regulations for local self-governance;
- territorial boundaries between local governments;
- financial parameters.

The legislative regulations for local authorities in the Republic of Macedonia can be classified according to three periods as follows:

- from 1991 to 1996
- from 1996 to 2002
- from 2002 to the present

**The first period, 1991–1996**, was marked by the local authorities in the Republic of Macedonia working in accord with provisions of the Constitution of the Republic of Macedonia, Articles: 114, 115, 116 and 117. The Constitution was adopted in November 1991. During this time period, there was no separate law regulating local self-governance and the activities of local authorities. The Constitution of the Republic of Macedonia at the time foresaw the following areas as falling under the jurisdiction of local self-governance units: public utilities infrastructure and environmental protection. In 1990-91, a government decision was passed suspending all provisions pertaining to the former communal system of the SFRY and, thus, terminating all municipal competences. In this period, the election of members of municipal assemblies was based on multi-party and territorial principles. The president of the municipal assembly was later chosen from among these members to administrate the municipality. The municipalities also appointed so-called executive councils as their executive bodies. A government decision decreed the property of the municipalities to be state property, leaving municipalities with no assets of their own. Former competences which had fallen under state power, such as defence and security, were transferred from the local to the central level, and judicial authority was transferred to the jurisdiction of central state institutions.

**The second period, 1996 – 2002**, was marked by the implementation of the Law on Local Self-Governance. It was adopted in October 1995 but was not implemented until the following year, at the time of the second local elections in the sovereign and independent Macedonia in November and December 1996. Since then, this law has been applied to the city of Skopje, which is a special local self-governance unit.

This law determines the competences of the municipalities in the country. It also contains the general definition that within a framework determined by the constitution and the law, and in line with their statute, local self-governance units have the right to carry out actions and undertake activities that are not within the competences of state-level bodies. The legislation divides these competences into three categories as follows:

- independent;
- in agreement with competent state administration bodies;
- competences delegated by the state.

When it comes to independent competences, this law enumerates competences that are to be undertaken independently by the municipalities as follows:

1. designing development programmes important for local self-governance

- units and their citizens, and in line with their competencies;
2. adopting a budget and final municipal balance;
  3. developing a programme for construction site planning;
  4. planning and using construction sites in line with the law;
  5. determining zones and collecting property taxes in line with the law.
  6. planning and organising construction sites, and maintaining local roads, streets and other infrastructure of local importance in line with the law;
  7. naming streets, squares, bridges and other infrastructure of local importance in line with the law;
  8. planning and organising the drinking water supply, as well as sewage and drainage in line with the law;
  9. planning and organising activities pertaining to public sanitation in line with the law;
  10. planning and organising activities pertaining to street lighting in line with the law;
  11. planning the maintenance and use of parks and other public areas of local importance;
  12. planning city, regional or local transport in line with the law;
  13. planning traffic signals in line with the law;
  14. planning and using cemeteries in line with the law;
  15. planning the regulation, maintenance and use of river beds in line with the law;
  16. planning the maintenance and use of public markets in line with the law;
  17. planning chimney maintenance;
  18. planning the maintenance and use of public parking areas;
  19. the possibility of issuing newsletters important for local self-governance, in line with the law;
  20. the possibility of establishing secondary vocational schools in line with the law;
  21. issuing opinions on the establishment of primary schools;
  22. the possibility of financing primary school facilities in addition to funds provided by the Republic in line with the law;
  23. launching initiatives, providing opinions and proposals for the development of institutional networks in culture, sports, social and child protection, preschool education, basic healthcare, the protection of plants and animals, the protection and improvement of the environment, as well as other areas of importance and other interests of the citizens;
  24. participation by representation in the work and decision-making of administrative bodies of primary schools and institutions of culture, sports, social and child protection, of preschool education, healthcare, protection of plants and animals, and the improvement of the environment;



25. encouraging and creating preconditions for the development and operation of crafts, tourism and catering;
26. providing the means for civilian defence in line with the law;
27. executing certain authority over goods for the general use and the natural wealth of the area, in line with the law;
28. establishing administrative bodies within their competencies;
29. establishing public services, public institutions and public enterprises for local activities in line with the law, and monitoring their work;
30. establishing inspection bodies and services for areas where local self-governance units have independent power to plan and implement activities;
31. determining offences and penalties when regulations of local self-governance units are breached;
32. performing other activities as determined by the law.

Independent jurisdiction has been limited for the most part since there are no cases for which the legislator has not foreseen further regulation and execution in line with the law. Implementing these so-called independent competences was not possible for the most part because the laws mentioned in each provision of independent competences either had not been passed, or if they had, the local authority participation in their implementation was reduced to a minimum. A typical example of the impossibility of carrying out these cases of independent competences is that of naming streets, squares and other infrastructure. In the period from 1996 to 2006, there was no law to regulate this matter. The Constitutional Court of the Republic of Macedonia annulled many municipal council decisions because they were passed despite legislative regulations.

The city of Skopje and its municipalities covering the territory of the city mutually share the above enumerated competences. As foreseen by the Law on Local Self-Governance, in practice this means that the city of Skopje, as an individual local self-governance unit, does not have any more competences than even the smallest of the other municipalities.

The other type of competences under this law is performed by local self-governance units **in cooperation with the state administration**, and they are as follows:

1. adopting general urban plans, which must be approved by the state administration body in charge of urban planning;
2. adopting a detailed urban plan and urban planning documentation for residential areas in local self-governance units, which must be approved by the state administration body in charge of urban planning, after gathering opinions from other bodies and organisations as determined by the law;

3. in accordance with the law, the possibility of founding, as well as financing the construction, equipment and maintenance of institutions of preschool education, culture, sports, social and child protection, basic healthcare, protection of plants and animals, protection and improvement of the environment, as well as other areas of significance and civic interest, beyond the scope provided for by the Republic.

Thus, the divided competences often became an obstacle to central and local authorities in implementing these laws. The most frequent negative example concerning the implementation of competences comes from the area of urban planning. Due to political and personal conflict between central and local authorities, proper implementation of these competences was often impossible to achieve. The greatest corruption scandals were in the domain of urban planning for residential areas, especially in the territory of the city of Skopje.

The third category of competences consists of the so-called **delegated competences**. The Republic can entrust the execution of certain activities the jurisdiction of state administration bodies to local self-governance units, for the purpose of more efficient and rational implementation of civil rights and obligations and for the achievement and satisfaction of civic interests. In cases where the government delegates certain competences to the municipalities, it is expected to also provide them with financial resources. The manner of executing these delegated competences is determined by local self-governance units in accordance with local circumstances. In the period of 1996-2002, when this law was being applied, there was not a single example of delegating competences from the state to the local level of government.

At this stage of development of local self-governance, direct elections of the municipal mayor and proportional elections of members of the municipal assembly have been introduced. Thus, in a municipality there is the mayor, as the executive municipal administrator, and the municipal council, as the local legislator. The development of local self-governance depends on the success of the cooperation between these two bodies.

**The third period for local authorities** began in January 2002, when the Law on Local Self-Governance in the Republic of Macedonia was passed by the Parliament. This law was passed by a two-thirds majority, the so-called Badinter majority.<sup>1</sup> The process for implementing this law was long and was started with the adoption of the Local Self-Governance Reform Strategy of the Republic of Macedonia that was adopted by the Government in November 1999. This strategy

<sup>1</sup> The Badinter majority is made up of the votes of at least half the representatives in the Macedonian Parliament not belonging to the majority population of the Republic of Macedonia.

assessed the present legal power of attorney (from the 1996 Law on Local Self-Governance) as inadequate, preventing local authorities from responding to citizens' needs and carrying out the competences foreseen in the Constitution of the Republic of Macedonia, and concluded that it was very disadvantageous for local authorities and citizens. Matters were made more complex with the absence of an appropriate system for financing local self-governance units, which were most dependent on the government.<sup>2</sup> Changes and amendments to the existing law were proposed so as, among other things to enable the greater financial independence of local authorities. This started in 2002, while in 2001; preparations had begun for a new law concerning local self-governance that was to launch the long-awaited process of decentralisation. In 2001, constitutional changes were made as a result of the Ohrid Framework Agreement. Some of the constitutional changes pertained to the provisions of the constitution's dealing with local self-governance, and it significantly increased the competence of local authorities. In the Constitution of the Republic of Macedonia, local self-governance is treated in Chapter 5 (Articles: 114, 115, 116 and 117).

The 2002 Law on Local Self-Governance for the first time decidedly mentions the rule of subsidiary in creating municipal competences. As a rule, the municipality's execution of competences is its exclusive responsibility, which means that municipalities can determine the manner of execution of these competences themselves, but of course in line with other laws detailing municipal competences. As a rule, municipal competences are complete and exclusive, and cannot be terminated or restricted, except in special cases regulated by the law.

A special law pertains to Skopje and the municipalities in its territory. The law regulates the relationship between the city of Skopje and these municipalities, but the competences correspond to the ones of other municipalities in the country, except that they are divided between city and municipal self-governance.

The Law on Local Self-Governance endeavours to define the competences of the municipality precisely as a local self-governance unit. The Law on Local Self-Governance devotes a whole chapter to municipal competences. The law addresses local competences in two categories as follows:

- original, and
- delegated.

Original competences include:

1. urban (and rural) planning;
2. protection of the environment, nature;

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<sup>2</sup> See: [www.mls.gov.mk](http://www.mls.gov.mk)

3. local economic development;
4. public utilities;
5. culture;
6. sports and recreation;
7. social security and protection of children;
8. education;
9. healthcare;
10. implementing preparations;
11. fire fighting;
12. overseeing projects resulting from these competences ;
13. other matters as determined by law.

This law increased the competences of the municipalities in a number of areas, primarily in: local economic development, environmental protection, education, social security, fire fighting, culture, sports and primary healthcare. For the first time, local authorities are accorded jurisdiction in the security system, primarily in the appointment of local police chiefs. The municipal council elects the local chief of police at the suggestion of the Minister for Internal Affairs of the Republic of Macedonia. The Republic of Macedonia has 38 police stations, which means that these competences cannot be executed by all municipalities in the country. The local chief of police is obliged to present the municipal council with a report on the state of security and traffic safety every six months.

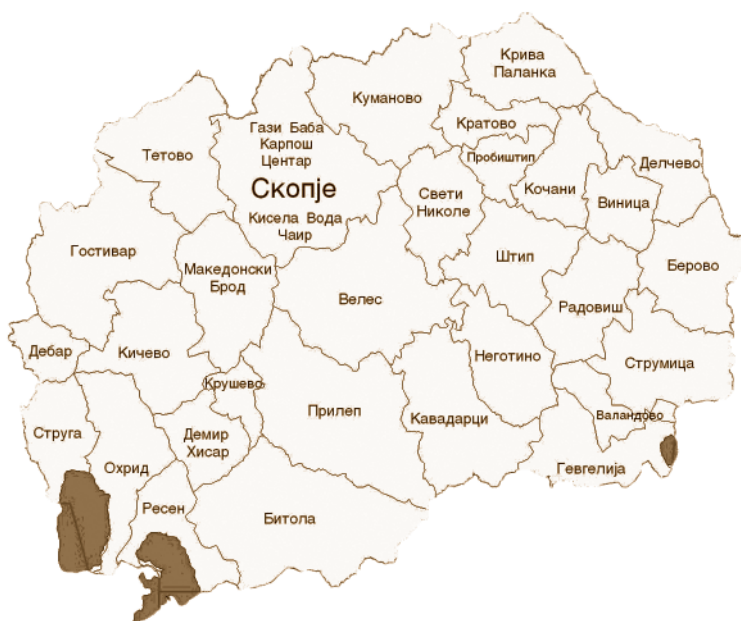
The role of the municipal mayor is reinforced by the fact that, following a public vacancy advertisement, s/he/ is the one appointing directors of public enterprises and institutions founded by the municipality or the city of Skopje.

The implementation of the enumerated competences mainly began on 1 July 2005, with the official beginning of the transfer of competences from the central to the local level. This launched the process of decentralisation in the Republic of Macedonia. This period encompassed the decentralisation pertaining to primary and secondary schools, day-care centres, homes for senior citizens, fire fighting stations, and equipment and administration were transferred from central to local institutions, etc.

Local self-governance in the Republic of Macedonia is divided into three periods regarding territorial organisation:

- 1990–1996;
- 1996–2005;
- after 2005

**Following the independence** of the Republic of Macedonia, there were 34 municipalities and the city of Skopje was a special unit of local self-governance. The average municipality size in terms of population was some 60,000, while the average territory was some 735 km<sup>2</sup>. The largest municipality was Kisela Voda with a population of 130,000, and the smallest was Makedonski Brod with a population of 7500. The seats of these 35 municipalities were located in towns and there was no single rural municipality. The competences of all 35 municipalities were identical, apart from the competences of the city of Skopje and the five Skopje municipalities.



From a territorial aspect, **the second period** encompasses the interval from 1996 to 2005. In September 1996, the first Law on the Territorial Distribution of the Republic of Macedonia was passed defining the areas of local self-governance units. The adoption of this law was not accompanied by a referendum in local communities or a national referendum. One-hundred-twenty-three municipalities were created, and the city of Skopje was a special unit of local self-governance. So, thirty-five local self-governance units were turned into 124 units. This new territorial organisation made the average size of a Macedonian municipality 16,443 in population and 209 km<sup>2</sup> in area. The largest municipality in the Republic of Macedonia was Kisela Voda with a population of 118,079, and the smallest, Staravina with a population of 456. Territorially, the largest municipality was Berovo with an area of 595 km<sup>2</sup>, and the smallest, Velešta with 23 km<sup>2</sup>. The creation of many rural municipalities was expected to end the three-decade long

period of no rural municipalities and provide opportunities for these communities to make their quality of life more like that of urban municipalities in the Republic of Macedonia. The competences granted to the new municipalities were far from the expectations of both citizens and local authorities in the Republic of Macedonia. Thus, in the period of 1996-2005, the Council of Europe and the Congress of Local and Regional Authorities found Macedonia to be much centralised, both in terms of competences, and in terms of municipal fiscal capacities.

Regardless of the size of the municipalities, they all had the same competences and were at the same level without a second tier of local self-governance.

Competences in the Skopje areas were divided among the city and its seven municipalities, making their competences equal to those of the smallest municipality in the Republic of Macedonia. The competences of the city of Skopje and its municipalities were not increased; instead, competences applied to the other municipalities were also applied to them. According to the 2002 census, the city of Skopje had a population of 444,760, occupying an area of 295 km<sup>2</sup>.



**The third period of territorial organisation** began in March 2005 when, following the local elections of March/April 2005, 84 municipalities were formed along with the city of Skopje as a special local self-governance unit. This reduced the number of municipalities in the Republic of Macedonia from 124 to 85. It is important to note that before the Law on the Territorial Organisation

of Local Self-Governance Units was adopted by the Macedonian Parliament, 40 local referendums and a national referendum was organised against the territorial organisation. The national referendum was unsuccessful, since the required turnout was 50% of registered voters, and only 35% of them voted. This is still a large percentage considering the practice of direct decision-making by the citizens of the Republic of Macedonia. Over 40 municipalities were merged with other municipalities; and two to three rural municipalities were combined to form a larger, but still rural municipality. It is strange that while in the interior of the Republic of Macedonia, municipalities were being terminated; two new ones were created in the territory of the city of Skopje. Another municipality was also grouped with the existing ones. Thus, the number of Skopje municipalities rose from seven to ten.



The average municipality size in the country increased both in terms of the population and the surface area. The population increased from 16,443 to 24,078, and the territory, from 209 km<sup>2</sup> to 306 km<sup>2</sup>.

**Municipality financing** can be characterized by three periods:

- 1990–1996;
- 1996–2005;
- from 1 July 2005.

**In the first period, 1990-1996,** there was no special law on financing municipalities. The financing of municipalities was regulated with a number of laws and bylaws, creating a lack of security and transparency in municipal financing. For the most part, financial resources were transferred from the central budget and the ministries, almost inevitably politicising and biasing the principle of the distribution of financial resources in the country.

In this period, all the municipal budgets in the Republic of Macedonia were participating at a rate of no greater than 0.5% in the GDP. The system of municipal financing was a serious indicator of the negative centralisation of the Republic of Macedonia.

The administration of taxes and duties transferred to local authorities was performed by central financial institutions represented by the Ministry of Finances and the Public Revenue Authority of the Republic of Macedonia.

**The second phase began in 1996,** whereby the newly passed Law on Local Self-Governance foresaw special provisions regulating municipal sources of financing. Municipalities were to be financed from the following sources:

- partly from sales taxes of goods and services as determined by law;
- property taxes, inheritance and gift taxes, and real-estate and rights sales taxes;
- land taxes, communal taxes and service revenue;
- property revenue;
- domestic and foreign donations;
- excess revenue of public enterprises and services founded by the local self-governance units;
- partly from the various profits of state companies with branches in local self-governance units, in line with the law;
- revenue from penalties for violating regulations of local self-governance units;
- other revenue allocated from the budgets of local self-governance units on various grounds, in line with the law.

The administration of all duties and taxes was within the jurisdiction of the central financial institutions, which would then transfer the financial resources to the municipalities according to various formulae. Departments for tax administration on the local level mostly lacked the capacity to act on their own. The greatest proportion of financial resources was expected from goods and services sales taxes, but unfortunately, from 1996 to 2005 this was not achieved.



Also, state public enterprises with branches in municipalities never contributed to municipal budgets. This system of financing for local self-governance units was powerful on paper, but in reality it was inapplicable, since all the taxes were related to other material laws that marginalised the provisions for financing local self-governance units from the Law on Local Self-Governance.

**In that time period**, municipalities administrated a fee for construction site planning, and some also instituted the so-called city rent that they attributed to the Law on Construction Sites passed in 2001.

The third period began on 1 July 2005. During 2004, the Law on Financing Local Self-Governance Units was passed. Its application began on 1 July 2005 by the so-called first phase of fiscal decentralisation. In 2005, laws were passed to improve the financial system of local self-governance units. The Law on Financing Local Self-Governance Units systemically regulated the sources of financing and the bodies responsible for the local self-governance financial system. This law stipulated that municipalities should be financed from a number of sources, as follows:

- original revenue, completely within the competences of their administration, and this primarily included: local duties and taxes and administrative taxes, revenue from property, contributions, local fees, tax revenue, penalty revenue, etc;
- revenue from personal income tax, whose administration was entrusted to the central financial administration;
- allocations from the budget of the Republic of Macedonia and state funds such as: value added tax revenue, specific purpose allocations, lump-sum allocations, capital allocations and allocations for delegated competencies. The distribution of these allocations was conducted in accordance with predetermined criteria, which were mostly transparent and objective.

The Law on Financing Local Self-Governance Units and other laws concerning various financial areas were the first attempt of municipalities to achieve greater financial independence from the government. Fiscal decentralisation was also facilitated, and an increase in the responsibilities of local authorities was expected. This law also provided for the transferring of officials from the Ministry of Finances and the Public Revenue Authority who had worked on administrating municipal taxes and communal and administrative taxes. In addition to the transfer of officials, movable and immovable property necessary for their work was also transferred.

## OVERVIEW OF MUNICIPALITIES AND THEIR CLASSIFICATION INTO URBAN, SUBURBAN AND RURAL MUNICIPALITIES

In December 2004, the Macedonian Parliament passed another Law on the Territorial Organisation of Municipalities in the Republic of Macedonia. This Law reduced the number of local self-governance units from 124 to 85. The Law on Local Self-Governance which came into force in February 2002 devotes a separate chapter to the issue of founding municipalities and municipality territories. Unfortunately, although certain criteria are enumerated, they still do not give a clear picture of the criteria for territorial boundaries. In order for a community to receive the status of a municipality, it must fulfil the following conditions:

- a municipality can be formed out of one or more settled areas where citizens are connected by common needs and interests;
- the territory where a municipality is founded must have preconditions for material and social development, and for the participation of citizens in decision making concerning local needs and interests;
- the area where a municipality is founded should be a natural geographic and economically connected body, with communication between settled areas and a pull towards the centre of the municipality, as well as infrastructure and social standard facilities;
- in determining the area of municipalities, the boundaries of municipal Land Registers must be taken into account, so that municipality boundaries do not cut across Land Register municipality boundaries.

As shown above, the criteria are too general and enable a lot of subjectivity in their interpretation.

The Law on Local Self-Governance did not mention compulsory consultations with citizens and municipalities affected by the territorial organisation, or reorganisation. In that case over 40 municipal councils invoked the European Charter on Local Self-Governance of the Council of Europe and organised local referendums. At these 40 referendums, citizens voted against the planned territorial reorganisation.

The non-governmental organisation “World Macedonian Congress” organised a petition to collect the necessary 150,000 signatures of voters so as to force the Macedonian Parliament to organise a national referendum about this issue. Over 150,000 voters’ signatures were collected during the month of September, so the parliament passed a decision to organise a national referendum in November 2004. 454,347 voters turned up for the referendum, which was somewhat over

26% of the total number of registered voters, and 95% of them voted against the planned territorial organisation. The referendum was unsuccessful, since the minimum acceptable turnout rate is 50% of all registered voters. Despite its failure, it was a good test for the application of democratic methods in the Republic of Macedonia.

In accordance with the Law on the Territorial Organisation of the Republic of Macedonia, there is only one tier of local self-governance and 84 municipalities. The legislation distinguishes between municipalities with seats in towns and those with seats in villages. Based on this division, there are 33 municipalities with their seats in towns (urban municipalities) and 51 municipalities with their seats in villages (rural municipalities). The legislation provides a clear definition of a town in Macedonian circumstances as follows: "A town is a populated area with a population exceeding 3000. It has a developed business structure, and more than 51% of those employed are not working in primary sectors. It has a formed urban physiognomy with residential, business and leisure zones, as well as public greens, a square, a street system, public utilities, and is a functional centre for populated areas in its vicinity."

In view of the population of the Republic of Macedonia (2,022,547) and its territory of 25,713 km<sup>2</sup>, the average municipality has a population of 24,078 and a territory of 306 km<sup>2</sup>. 397,449 people live in rural municipalities, while 1,625,098 live in urban municipalities. In terms of population, the largest municipality is Kumanovo with a population of 105,484, while the smallest is Vraneštica with a population of 1,322. The largest municipality in terms of territory is Prilep with 1,198 km<sup>2</sup>, and the smallest is the Vevčani municipality in the vicinity of Skopje with an area of 23 km<sup>2</sup>. The territory of the city of Skopje is 571 km<sup>2</sup> and it is inhabited by 506,926 people. It contains 10 of the 84 municipalities in the Republic of Macedonia. The largest municipality in the city of Skopje in terms of population size is Gazi Baba with a population of 72,617, while the smallest is Šuto Orizari with a population of 20,800. The largest Skopje municipality in terms of territory is Saraj with an area of 229 km<sup>2</sup>, and the smallest is Čair with only 3,5km<sup>2</sup>, which is also the smallest municipality in terms of territory in the whole of the Republic of Macedonia.

If we analyse the size of Macedonian municipalities in terms of population, and in accordance with the gradation system provided by the Law on Local Self-Governance to determine the number of members of municipal councils, we shall arrive at the following results:

- 16 municipalities have a population below 5,000;
- 16 municipalities have a population from 5,000 to 10,000;
- 21 municipalities have a population from 10,000 to 20,000;
- 14 municipalities have a population from 20,000 to 40,000;
- 8 municipalities have a population from 40,000 to 60,000;

- 5 municipalities have a population from 60,000 to 80,000;
- 3 municipalities have a population from 8,000 to 100,000;
- 1 municipality has a population exceeding 100,000;

An analysis of the size of municipalities in terms of their territory yields the following results:

- 15 municipalities have an area less than 100 km<sup>2</sup>;
- 20 municipalities have an area between 100 km<sup>2</sup> and 200 km<sup>2</sup>;
- 16 municipalities have an area between 200 km<sup>2</sup> and 300 km<sup>2</sup>;
- 8 municipalities have an area between 300 km<sup>2</sup> and 400 km<sup>2</sup>;
- 13 municipalities have an area between 400 km<sup>2</sup> and 500 km<sup>2</sup>;
- 8 municipalities have an area between 500 km<sup>2</sup> and 800 km<sup>2</sup>;
- 3 municipalities have an area between 800 km<sup>2</sup> and 1000 km<sup>2</sup>; and
- 1 municipality has an area exceeding 1000 km<sup>2</sup>;

In May 2007, the Law on Equitable Regional Development was passed for the first time in the Republic of Macedonia, and it defined two planning and development regions in line with the NUTS 3 classification, as follows:

- Skopje region: ..... population 578,144
- Polog region: ..... population 304,125
- Eastern region: ..... population 203,213
- South-eastern region: ..... population 171,416
- Vardar region: ..... population 133,180
- North-eastern region: ..... population 172,787
- South-western region: ..... population 221,546
- Pelagonija region: ..... population 238,136;

The Law determines the fundamentals of the planned and developing regions. This is not another level of local authorities, but the creation of planned and developing regions helps balance out the development of the entire territory of the Republic of Macedonia.

Every planned developing region has a council made up of the mayors of its municipalities. The president of the council is chosen from among the mayors of the planned developing region for a mandate of two years with the right to be re-elected. Every planned and developing region adopts a five-year development programme. It has to be in line with the Strategy for Regional Development of the Republic of Macedonia and the programme procedures for the integration of the Republic of Macedonia into the European Union. Every planned and developing region has a so-called centre for the development of planned regions that carries out precise tasks and is a corporation. This centre is founded by the municipalities of the planned region and is situated in the largest of the municipalities in terms of population.

Every year, the government and the Macedonian parliament must secure at least 1% of gross domestic product of the Republic of Macedonia from the state budget to implement this legislative project which foresees the realistic and equitable development of the country.

## EXAMPLES OF MUNICIPALITIES FROM VARIOUS CATEGORIES

In the Republic of Macedonia, there are municipalities with seats in towns and those with seats in villages. Accordingly, in terms of legislation we have urban and rural municipalities. In the current circumstances, research requires including a certain number of suburban municipalities, although the legislation does not address this category. In determining the meaning of a suburban municipality, the author of the text noted the criterion of the proximity to a town centre as no greater than 10 km.

For the purposes of this research, I will include the following municipalities:

- urban: Veles, Kočani, Bitola, Gostivar and Strumica;
- suburban: Vasilevo, Ilinden, Vrapčište, Češinovo-Obleševo;
- rural: Zrnovci, Izvor, Mogila, Brvenica and Bosilovo.

These municipalities will be compared in terms of the following categories: population, size, budget for 2006 and 2007, number of those employed, unemployment rate, and area of agricultural land and gross domestic product of the statistical region to which they belong. The data used for the purposes of this research comes from the municipalities and from the State Statistics Institute.

Table 1  
Analysis of urban municipalities

Municipality	Population	Area	Budget for 2006 in EUR	Employed in 2002	Unemployed in 2002
Veles	55.108	427 km <sup>2</sup>	2.683.341	14.837	9.686
Kočani	38.092	360 km <sup>2</sup>	1.775.755	9.061	5.748
Bitola	95.385	598 km <sup>2</sup>	4.992.025	26.130	13.123
Gostivar	81.042	513 km <sup>2</sup>	2.785.590	7.195	6.309
Strumica	54.676	321 km <sup>2</sup>	3.448.111	12.487	8.506

Table 2  
Analysis of suburban municipalities

Municipality	Population	Area	Budget for 2006 in EUR	Employed	Unemployed
Vasilevo	12.122	230 km <sup>2</sup>	465.826	2.895	2.608
Ilinden	15.894	97 km <sup>2</sup>	1.030.994	3.082	2.246
Novaci	3.549	754 km <sup>2</sup>	287.086	771	318
Vrapčište	25.399	158 km <sup>2</sup>	499.543	874	766
Obleševo	7.490	132 km <sup>2</sup>	311.697	1.377	582

Table 3  
Analysis of rural municipalities

Municipality	Population	Area	Budget for 2006 in EUR	Employed	Unemployed
Čaška	7.673	819 km <sup>2</sup>	442.793	556	378
Zrnovci	3.264	56 km <sup>2</sup>	107.694	684	415
Mogila	6.710	256 km <sup>2</sup>	301.092	1.376	598
Brvenica	15.855	164 km <sup>2</sup>	533.675	2.718	1.532
Bosilovo	14.260	162 km <sup>2</sup>	371.374	3.803	1.742

The target groups of municipalities were determined in accordance with the geographic criterion. Urban municipalities have a decades-long history and all the institutions working on the local and central level are concentrated in urban municipalities.

## OVERVIEW OF THE LEGAL COMPETENCE OF MUNICIPALITIES AND THE EXTENT OF THEIR IMPLEMENTATION IN THE ANALYSED MUNICIPALITIES

In accordance with the Law on Local Self-Governance from 2002, which has generally been enforced since 1 July 2005, municipal competences can be defined in the following exhaustive manner:

1. urban (and rural) planning, issuing permits for the construction of facilities of local importance as determined by law, spatial planning and construction land planning;
2. protection of the environment and nature – protection measures and preventing the pollution of water, air, land, protection of nature, protection from noise and non-ionising radiation;
3. local economic development – planning local economic development; determining developmental and structural priorities; conducting local economic policy; supporting the development of small and medium enterprises and pre-accession at the local level by participating in the establishment and the development of a local network of institutions and agencies to promote partnerships;
4. public utilities – drinking water supply; delivery of processed water; drainage and purification of waste water; public lighting; drainage and treatment of atmospheric water; public sanitation; collection, transport and treatment of solid and processed waste; planning and organising public local transport; supplying natural gas and heating; maintenance of cemeteries, crematoria and provisions for funeral services; construction, maintenance, reconstruction and protection of local roads, streets and other infrastructure facilities; regulating traffic; construction and maintenance of street-traffic signals; construction and maintenance of public parking areas; towing of inappropriately parked vehicles; removal of defunct vehicles from public areas; construction and maintenance of open-air markets; chimney maintenance; maintenance and use of parks, greens, forest parks and recreation areas; regulation, maintenance and use of river beds in urban areas; naming streets, squares, bridges and other infrastructure;

5. culture – institutional and financial support for cultural institutions and projects; encouraging folklore, customs, ancient trades and similar cultural values; organisation of cultural events; encouraging various specific forms of creativity;
6. sports and leisure – development of mass sports and leisure activities; organising sports shows and events; construction and maintenance of sports facilities; support for sports associations;
7. social security and childcare – children’s day-care centres and senior citizen homes (affiliation, financing, investment and maintenance); social care for disabled persons; children without parents and parental care; children with educational and social problems; children with special needs; children from single-parent families; children from the streets; socially vulnerable persons; persons connected to substance abuse; raising awareness in the general population; housing for socially vulnerable persons; rights of children and pre-school education. Executing these competences in line with the National Programme for the Development of Social Security;
8. education – founding, financing and managing primary and secondary schools in cooperation with central authorities, in line with the law; organising transport and meals for students and their accommodation in dorms;
9. healthcare – managing a network of public healthcare organisations and facilities for primary healthcare, representation of local self-governance in all boards of public healthcare organisations, health education; health improvement; preventive precautions; healthcare for workers and protection at work; health surveillance of the environment; control of infectious diseases, support for patients with special needs (for example: mental health, child abuse, etc.); and other areas as determined by law;
10. implementing preparations and protective and rescue measures of citizens and material goods from war related destruction, natural and other catastrophes, including their repercussions;
11. fire fighting by territorial fire-fighting units;
12. monitoring the implementation of activities from the viewpoint of the relevant competences;
13. other activities as determined by law.

At the start of the decentralisation of the state, the following institutions fell under



the ownership of local authorities:

- 48 cultural institutions;
- 356 primary schools;
- 81 secondary schools;
- 51 day-care centres;
- 4 senior citizens' homes;
- 29 fire-fighting stations.

An analysis of the extent of the implementation of legal competences brings us to the following conclusions. In the category of urban municipalities, practically all the competences foreseen in the law have been implemented, some to a greater, and some to a lesser degree. The degree of implementation primarily depends on the financial capacities of municipalities, but also on their institutional and administrative capacities. Of the legal competences foreseen by the Law on Local Self-Governance, the only competence which has not been implemented is primary healthcare. At the beginning of 2007, the privatisation of this type of healthcare began, which prevented its decentralisation. The facilities for primary healthcare are still owned by the state, but their transfer to the ownership of the municipalities is expected, and from then on, they would be managed by municipalities. The five analysed urban municipalities provide a good example of the implementation of decentralisation in the Republic of Macedonia. In all the areas under the jurisdiction of local authorities, these five municipalities have been implementing their competences, whereby their most serious problem is the inadequacy of financial resources.

Suburban municipalities, created by the 1996 Territorial Organisation of the Republic of Macedonia, have not been implementing competence in secondary education or their fire-fighting capacity. Their territories do not include institutions of culture (cultural centres, libraries, cinemas, theatres, museums, etc.) and they therefore receive so-called special purpose and lump-sum allocations for these competences. They also do not implement social security competences, since there are no such institutions in their territories.

When it comes to rural municipalities, they were also created by the Law on the Territorial Organisation of Local Self-Governance Units in the Republic of Macedonia from 1996. In accordance with the law, these municipalities have the same status as the other municipalities in the Republic of Macedonia, but in the period before the beginning of decentralisation (1 July 2005), state administration and state-owned public institutions in their territories have not been reorganised. In all rural municipalities, there is no single secondary school, cultural centre, library, museum, day-care centre, senior citizens home, fire-fighting brigade or police station. So, from the very beginning of decentralisation, these

municipalities have had no institutions to be transferred from the central to the local level. The only thing characteristic to this type of municipality is the existence of primary schools which were transferred from the central to the local level after 1 July 2005. All these municipalities have so-called healthcare stations as a form of primary healthcare, but due to the process of privatisation in this sector, there has been no decentralisation despite the provisions of the Law on Local Self-Governance.

In suburban and rural municipalities, the competences that they do not take care of, such as secondary education, day-care, senior citizens homes and fire fighting are performed by the closest competent municipality. This arrangement is not the product of an agreement between municipalities that are able and those that are not able to carry out these competences, but are simply the acquired right of those municipalities in whose territory an existing institution was decentralised. The state does not restrict the right of rural and suburban municipalities to perform these competences themselves. The problem is caused by the lack of institutions that would perform these competences and the inadequacy of financial resources from lump sum or special purpose allocations. However, the state has transferred the right of ownership of assets where these activities are implemented. In practice, as of 1 July 2005, primary and secondary schools, day-care centres, senior citizens homes, fire-fighting stations, cultural centres, some museums, town libraries and other properties have come into the ownership of the municipalities where they are located.

The tables below illustrate the competences which the municipalities are able to perform realistically

Competences	Urban planning	LED	Environmental protection	Public utilities	Primary education	Secondary education
Veles	yes	yes	yes	yes	yes	yes
Kočani	yes	yes	yes	yes	yes	yes
Bitolj	yes	yes	yes	yes	yes	yes
Gostivar	yes	yes	yes	yes	yes	yes
Strumica	yes	yes	yes	yes	yes	yes
Vasilevo	yes	yes	yes	yes	yes	no
Ilinden	yes	yes	yes	yes	yes	no
Novaci	yes	yes	yes	yes	yes	no

Competences	Urban planning	LED	Environmental protection	Public utilities	Primary education	Secondary education
Vrapčiče	yes	yes	yes	yes	yes	no
Češinovo–Obleševo	yes	yes	yes	yes	yes	no
Čaška	yes	yes	yes	yes	yes	no
Zrnovci	yes	yes	yes	yes	yes	no
Mogila	yes	yes	yes	yes	yes	no
Brvenica	yes	yes	yes	yes	yes	no
Bosilovo	yes	yes	yes	yes	yes	no

Competences	Sports	Culture	Primary healthcare	Social security	Fire fighting	Protection and rescue
Veles	yes	yes	no	yes	yes	yes
Kočani	yes	yes	no	yes	yes	yes
Bitolj	yes	yes	no	yes	yes	yes
Gostivar	yes	yes	no	yes	yes	yes
Strumica	yes	yes	no	yes	yes	yes
Vasilevo	yes/no	yes/no	no	no	no	yes
Ilinden	yes/no	yes/no	no	no	no	yes
Novaci	yes/no	yes/no	no	no	no	yes
Vrapčiče	yes/no	yes/no	no	no	no	yes
Češinovo–Obleševo	yes/no	yes/no	no	no	no	yes
Čaška	yes/no	yes/no	no	no	no	yes
Zrnovci	yes/no	yes/no	no	no	no	yes
Mogila	yes/no	yes/no	no	no	no	yes

Competences	Sports	Culture	Primary healthcare	Social security	Fire fighting	Protection and rescue
Brvenica	yes/no	yes/no	no	no	no	yes
Bosilovo	yes/no	yes/no	no	no	no	yes

Key for reading the table:

- “yes” competences are being implemented;
- “no” competences are not being implemented;
- “yes/no” competences re being implemented but partially.

If we take into account public utilities competences and the degree of their implementation in the three categories of analysed municipalities, we shall see that they are most implemented in urban municipalities. In suburban municipalities the extent of implementation is somewhat lesser, and in rural municipalities, lesser still. Water supply is a type of public utility service performed in all of the 15 municipalities, while the public utility service of sewage is mostly performed in urban areas and municipalities with seats in towns. The treatment of waste water is a public utility service that is not carried out in any of the 15 analysed municipalities.

The problem of carrying out public utilities competences is a complex issue often related to the financial capacities of the municipalities as well as to the mentality of citizens who pay fees for these public utilities services.

Regarding the implementation of the competences of local economic development in the 15 surveyed municipalities, the analysis found that planning documents for local economic development are being adopted for the most part. The measures and methods of local economic development, such as the creation of industrial zones, business incubators, etc., are realised in urban municipalities and, to a lesser extent, in suburban municipalities.

We can conclude that the size of the municipality, its financial capacities and human resources are a precondition for good quality and efficient implementation of competences foreseen in the Macedonian legislation.

## SPECIAL ASPECTS OF UPCOMING CATEGORIES

### Administrative Capacities of Municipalities

In terms of the administrative capacities of municipalities in the Republic of Macedonia, the following parameters will be taken into account: number of those employed in the surveyed municipalities, total number of those employed in all the municipalities of the Republic of Macedonia, a comparison between 2002 and 2007. The passing of the Law on Civil Servants enabled municipal officials to be considered civil servants, but part of the municipal staff is also employed in accordance with the Law on Employment. With the transferral of competences at the beginning of decentralisation in the Republic of Macedonia, 117 officials from the Ministry of Finances, 126 officials from the Public Revenue Authority, 388 officials from the Ministry of Transport and Communications, 27 officials from the Ministry of Education and 742 fire fighters were transferred. The total number of transferred civil servants in the period July-August 2005 was 1400. These civil servants receive salaries from municipal budgets.

In institutions founded by municipalities, the following is the staff structure:

- 556 in cultural institutions;
- 107 in senior citizens homes;
- 3,500 in day-care centres;
- 6,654 in secondary schools;
- 19,078 in primary schools;
- total: 29,895 employed in public institutions.

The salaries of those employed in public institutions owned by the municipalities are generally secured through so-called lump-sum allocations from the budget of the Republic of Macedonia.

Analysing the administrative capacities of municipalities in the Republic of Macedonia, we can conclude that the number of those employed increased by more than 140% from 2002 to 2007, primarily through the transfer of civil servants from central government institutions that were decentralised on 1 July 2005. There are also new staff positions being filled in some municipalities, primarily in the two new Skopje municipalities of Butel and Aerodrom founded in 2005, where all the employees are newly employed. At the level of the Republic of Macedonia, on average, there is one municipal civil servant per 730 citizens.

The table below shows data only for those employed in the local administration, but not for those employed in public institutions founded by the local self-governance units.

Country Municipality	Employed in the municipality in 2002	State-level civil servants employed in the municipality in 2002	Employed in the municipality in 2007	State-level civil servants employed in the municipality in 2007
<b>Makedonija</b>	1.126	none	2.759	1.805
Veles	29	none	73	46
Kočani	18	none	76	56
Bitolj	35	none	115	61
Gostivar	28	none	88	52
Strumica	18	none	84	69
Vasilevo	5	none	16	15
Ilinden	11	none	23	21
Novaci	2	none	13	9
Vrapčište	5	none	13	10
Češinovo –Obleševo	4	none	12	9
Čaška	5	none	15	11
Zrnovci	2	none	7	5
Mogila	3	none	8	5
Brvenica	10	none	14	11
Bosilovo	5	none	17	14

The following table shows the educational structure of the population, as the census organised in 2002 in the Republic of Macedonia. Source: State Statistic Institute of the Republic of Macedonia.

Country Municipality	No educa- tion (%)	Primary education (%)	Secondary education (%)	Higher education (%)
<b>Makedonija</b>	18,1	35,0	36,9	10,0
Veles	22,0	28,3	41,2	8,50
Kočani	21,3	32,6	38,2	7,90
Bitolj	19,2	26,2	40,8	13,8
Gostivar	18,6	56,9	19,7	4,80
Strumica	30,7	30,6	31,6	7,10
Vasilevo	44,7	35,7	18,0	1,60
Ilinden	19,3	29,8	48,6	2,30
Novaci	31,0	41,2	25,3	2,50
Vrapčište	18,1	63,4	15,0	3,50
Obleševo–Češinovo	25,8	40,1	31,6	2,50
Čaška	42,9	35,7	20,1	1,30
Zrnovci	27,0	39,8	31,1	2,10
Mogila	42,3	37,8	18,9	1,00
Brvenica	19,5	52,6	25,1	2,80
Bosilovo	37,3	38,2	21,7	2,80

From the table above, we can conclude that those with higher education are concentrated in urban and suburban municipalities, while their numbers in rural municipalities are drastically smaller.

### Financial Capacities of Municipalities

The financial aspects of the development of local self-governance were explained in the first chapter of this text. This comparative analysis and research will focus on two years: 2005 and 2006.

The process of decentralisation began on 1 July 2005. This brought about the first phase of fiscal decentralisation, which entails above all the transfer of equipment, administration and data from central government institutions (Ministry of Finance and Public Revenue Authority) to the local authorities of the Republic of Macedonia. In this phase, the municipalities take over the responsibility of administering original revenue. The state transfers special purpose and capital allocation, as well as allocations from value added tax, in accordance with the formula devised jointly by local and central authorities. In 2006, initial misunderstandings concerning the first phase of fiscal decentralisation had been alleviated, and the municipalities began to manage their original revenue independently. The table below shows the indicators of the total monetary funds of all municipalities in the Republic of Macedonia, as well as the budget of the surveyed municipalities over the past two years and their participation in the total sum of all municipal budgets, including that of the city of Skopje. The nominal amounts are expressed in Euros.

Municipality	Municipal budget in 2005	Participation of the municipalities in the total municipal budgets of Macedonia in 2005	Municipal budget in 2006	Participation of the municipalities in the total municipal budgets of Macedonia in 2006
Veles	1.484.320	1,63%	2.683.341	2,04%
Kočani	1.238.109	1,36%	1.775.755	1,35%
Bitolj	2.951.584	3,25%	4.992.025	3,80%
Gostivar	1.620.558	1,78%	2.785.590	2,12%
Strumica	2.207.824	2,43%	3.448.111	2,63%
Vasilevo	232.402	0,26%	465.826	0,35%
Ilinden	480.104	0,53%	1.030.994	0,78%
Novaci	201.144	0,22%	287.086	0,22%
Vrapčište	272.472	0,30%	499.543	0,38%
Češinovo –Obleševo	196.621	0,22%	311.697	0,23%
Čaška	176.053	0,19%	442.793	0,33%
Zrnovci	75.073	0,08%	107.694	0,08%
Mogila	142.587	0,16%	301.092	0,23%
Brvenica	276.914	0,30%	533.675	0,40%
Bosilovo	230.115	0,25%	371.374	0,28%



The following two tables show the revenue and expenditure structure in the surveyed municipalities for the 2005 fiscal year.

Country Municipality	Revenue per capita in Euros	Revenue from taxes as % of total municipal revenue	Non-tax revenue as % of total municipal revenue	Revenue from transfers and allocations as % of total municipal revenue
<b>Makedonija</b>	44,94	59,10	3,40	37,16
Veles	26,93	41,67	0,90	57,31
Kočani	32,49	39,22	1,35	59,43
Bitolj	30,94	59,69	1,64	38,67
Gostivar	20,00	39,32	4,94	55,74
Strumica	40,37	50,77	6,52	42,66
Vasilevo	19,16	38,92	1,47	59,60
Ilinden	30,21	52,70	6,00	41,30
Novaci	53,65	26,91	0,45	72,64
Vrapčište	10,73	21,68	0,14	78,18
Češinovo –Obleševo	26,24	27,82	2,73	69,45
Čaška	22,93	15,21	1,13	83,66
Zrnovci	23,00	25,25	5,41	69,33
Mogila	21,90	32,06	0,64	67,30
Brvenica	17,47	35,08	1,92	62,99
Bosilovo	16,13	34,80	1,87	63,33

In the context of the financial power of municipalities in the country, I will try to compare the contribution of all municipal budgets to the gross domestic product of the Republic of Macedonia in 2003, 2004, 2005 and 2006. The contribution is expressed as a percentage, and the information comes from the Ministry of Finances and the State Statistics Institute.

Country Municipality	Expenditure per capita in Euros	Expenditure for salaries and benefits as % of total municipal expenditure	Expenditure for goods and services as % of total municipal expenditure	Expenditure for capital investment as % of total municipal expenditure
<b>Makedonija</b>	40,35	13,96	31,06	48,89
Veles	23,57	14,98	58,36	18,70
Kočani	29,23	21,84	37,34	36,43
Bitolj	28,66	14,15	38,05	43,12
Gostivar	18,45	20,91	38,11	37,27
Strumica	37,58	14,78	38,30	45,23
Vasilevo	19,16	26,92	52,85	12,77
Ilinden	27,61	19,76	53,10	20,64
Novaci	49,72	28,39	33,53	24,60
Vrapčište	10,27	34,27	16,32	36,60
Češinovo –Obleševo	26,13	29,18	42,51	22,57
Čaška	17,34	32,86	49,16	10,11
Zrnovci	20,63	36,73	54,22	2,88
Mogila	19,80	33,06	34,35	23,47
Brvenica	13,65	37,55	42,36	18,49
Bosilovo	14,68	16,26	46,76	18,95

	2003.	2004.	2005.	2006.
Contribution of all municipal budgets to the gross domestic product	1,77%	1,87%	2,01%	2,65%
Total budgets of all municipalities in Euros	72.424.407	80.788.252	90.915.492	131.079.846

## Inter-Municipality Cooperation

In accordance with the Law on Local Self-Governance in the Republic of Macedonia, multipurpose inter-municipality cooperation is warranted for the performance of competences of local self-governance units. For the purpose of realising common interests and performing joint-competences activities, municipalities can unify their resources and establish joint public services, but only in line with the law. For carrying out certain competences, municipalities may establish joint administrative bodies, but only, of course, within the frame of the law. In the past, municipalities in Macedonia did not have a lot of experience in inter-municipality cooperation, except in a few cases when joint public utilities enterprises were formed or memorandums on inter-municipality cooperation were signed in various spheres of public utilities activities. However, for the most part these memorandums did not provide legal provisions for the establishment of such public enterprises.

With the start of the decentralisation process, there is an increased trend of inter-municipality cooperation in the field of joint administrative bodies and joint public enterprises. In research studies<sup>3</sup> conducted on the national level on four occasions, we can analyse the last two from March/May 2006 and from November 2006 to January 2007 where the desired forms of inter-municipality cooperation were marked on a scale from 1 to 5. The results can be seen at page 176.

From the results of the questionnaires, we can conclude that municipal authorities are prepared to enter into inter-municipality cooperation, which can also be seen from the increase in the need for cooperation in the third and fourth questionnaire. The surveyed municipalities are highlighted in green.

In the sphere of urban (and rural) planning, the following municipalities have established cooperation:

Municipality	Partner Municipality
Brvenica	Municipality Tetovo
Butel	Čair, Šuto Orizari, Gazi Baba, Čučer Sandevo
Centar Župa	Municipality Mavrovo–Rostuše
Češinovo-Obleševo	Municipality Zrnovci, village Zrnovci
Grad Skoplje	With ten Skopje municipalities

3 Research conducted by the Ministry for Local Self-Governance and EAR Project, CARDS

Municipality	Partner Municipality
Debarca	Municipality Ohrid
Dojran	Municipality Đevđelija
Karbinci	Municipality Štip and Municipality Karbinci
Kavadarci	Municipality Rosoman
Konče	Joint urban planning administration and joint construction inspection with Municipality Radoviš
Krivogaštani	Municipality Kruševo
Mogila	Municipality Novaci
Novaci	Mogila, Bitolj
Novo Selo	Bosilovo i Vasilevo
Plasnica	Municipality Makedonski Brod
Probištip	1. Municipality Kočani 2. Municipality Obleševo 3. Municipality Makedonska Kamenica 4. Municipality Kratovo 5. Municipality Kriva Palanka
Rosoman	Kavadarci
Sopište	No cooperation with the adjacent Municipality Kisela Voda
Staro Nagoričane	Joint inspector and executive official with Municipality Rankovce
Vasilevo	Municipality Bosilovo Municipality Novo Selo
Zrnovci	Municipality Češinovo–Obleševo Joint service for urban planning

In terms of collecting original municipal revenue, the following municipalities have achieved inter-municipality cooperation:

Municipality	Partner Municipality
Bitolj	Novaci, Mogila
Brvenica	Municipality Tetovo
Čaška	Municipality Veles
Grad Skoplje	Revenue from public utilities fees is divided 60% to 40%
Debarca	Municipality Ohrid
Kavadarci	Municipality Rosoman
Konče	Radoviš
Kriva Palanka	Municipality Rankovce
Kumanovo	Staro Nagoričane
Mavrovo i Rostuša	Municipality Gostivar, printing property tax bills and public utilities bills for this year for the Municipalities of Mavrovo and Rostuša
Mogila	Municipality Novaci
Novaci	Bitolj, Mogila
Novo Selo	Bosilovo and Vasilevo
Ohrid	Debarca
Rankovce	Municipality Kriva Palanka
Staro Nagoričane	Municipality Kumanovo until the end of the calendar year
Tearce	Municipality Tetovo
Vasilevo	Municipality Bosilovo Municipality Novo Selo
Zajas	Municipality Kičevo

In terms of local economic development, the greatest increase in inter-municipality cooperation was felt due to the micro-regional approach to economic development. The research yielded the following results:

Municipality	Partner Municipality
Berovo	Pehčevo, Delševo, Vinica, Radoviš
Bitolj	Mogila, Novaci, Prilep Resen, Kruševo, Demir Hisar, Krivogaštani – Pelagonija region
Bosilovo	Novo Selo Vasilevo Strumica
Češinovo–Obleševo	Zrnovci, Karbinci, Kočani i Probištip
Drugovo	Municipality Vraneštica
Jegunovce	Municipality Tearce partnership cooperation in LED
Karbinci	Municipality Štip and opština Karbinci
Kavadarci	Municipality RosomanMunicipality Demir kapija
Kisela Voda	Sopište – urban planning documentation was transferred
Konče	Joint office with Municipality Radoviš
Kratovo	The development of the Osogovo region is currently forming and institutionalising the following municipalities: Kočani, Zrnovci, Češinovo-Obleševo, Probištip, Kratovo, Rankovce and Kriva Palanka, a project for the construction of a joint landfill with the following municipalities: Kratovo, Kumanovo, Lipkovo, Kriva Palanka, Rankovce
Kriva Palanka	Municipality Rankovce
Mogila	Municipality Novaci
Novaci	Prilep, Mogila, Bitolj, Demir Hisar, Kruševo, Resen, Dolneni, Krivogaštani
Novo Selo	Strumica, Bosilovo, Vasilevo
Ohrid	Resen, Struga, Prilep, Bitolj
Oslomej	Zajas
Plasnica	Drugovi i Vranešnica

Municipality	Partner Municipality
Probištip	Municipality Kočani, Municipality Obleševo, Municipality Makedonska Kamenica, Municipality Kratovo, Municipality Kriva Palanka
Radoviš	Konče, Strumica, Štip, Vasilevo, Bosilovo and others from the region
Rankovce	Municipalities from the Eastern region (Osogovo)
Resen	Towards regional development
Štip	Municipality Karbinici
Struga	Ohrid, Kičevo, Debar, Debarca (regional development plan)
Strumica	Municipality Vasilevo, Municipality Novo Selo, Municipality Bosilovo
Vasilevo	Strumica, Novo Selo, Bosilovo
Vinica	Kočani, Zrnovci, Berovo, Delčevo
Vraneštica	Municipality Drugovo
Zajas	Municipality Oslomej
Zelenikovo	Kisela Voda, Sopište
Zrnovci	Municipality Češinovo-Obleševo and Karbinici

In the area of public utilities in inter-municipality cooperation, the questionnaires yielded the following results:

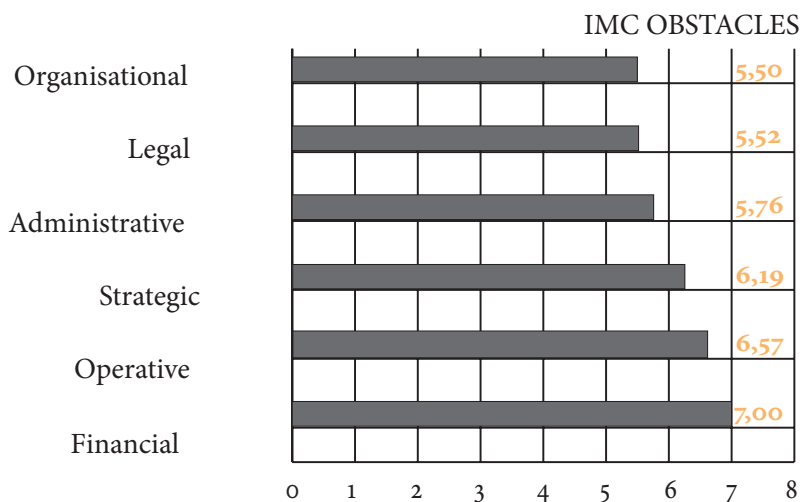
Municipality	Partner Municipality
Berovo	Water supply for the Municipality of Pehčevo is provided from the regional water system of Berovo
Bitolj	Novaci, Mogila
Bogovinje	Municipality Tetovo, Brvenica, Želino, Tearce and Jognovce
Čaška	Municipality Veles – Public utilities inspector
Debar	Common water supply system with the Municipality Centar Župa

Municipality	Partner Municipality
Demir Kapija	Negotino, Kavadarci, Rosoman
Drugovo	Municipality Kičevo – JP KOMUNALEC
Ilinden	The Public Utilities Enterprise provides services for part of the Petrovec Municipality and the Gazi Baba Municipality. Inter-municipality cooperation is established for this purpose.
Kočani	Water supply from the public utilities enterprise in Kočani for the Municipalities of Češinovo-Obleševo and Zrnovci
Kratovo	Joint public enterprise HS Zletovica for water supply: Probištip, Kratovo, Štip, Sveti Nikole, Karbinci and Lozovo
Mogila	Bitolj
Novaci	Bitolj
Ohrid	Struga
Oslomej	Zajas
Petrovec	Regional system for water supply designed for three municipalities: Petrovec, Gazi Baba i Ilinden
Radoviš	Konče, Strumica, Štip and others from the region
Struga	Ohrid – water supply and sewage
Strumica	Municipality Vasilevo
Tearce	Tetovo
Veles	Public utilities infrastructure projects undertaken jointly with the Municipality Čaška.

Inter-municipality cooperation is a good opportunity to overcome significant differences between municipalities, and also to reduce costs.

From this survey, we can also define the obstacles for small-scale inter-municipality cooperation. The graph below shows the graded obstacles, as diagnosed by the municipalities with marks from 1 to 8.





Municipalities can also cooperate with local self-governance units of other countries, and they can also be members of international organisations of local authorities. No permit from the central authorities is necessary to begin international cooperation. The municipalities are only obliged to inform the Ministry of Local Self-Governance about the international cooperation they achieve, and the Ministry is in charge of documenting this cooperation.

Municipalities are also free to form municipal associations to protect their rights and advance their common interests. Such an association with more than 2/3 of the total number of local self-governance units acquires the status of a national municipal association and is the authorised negotiator with respect to central state institutions in matters concerning the rights of municipalities. At the moment, there is only one association of municipalities in the Republic of Macedonia, namely, the Community of Local Self-Governance Units (Zajednica jedinica lokalne samouprave – ZELS), with the voluntary membership of all 84 municipalities and the city of Skopje.

### Internal Decentralisation, Elections within Municipalities

The Constitution of the Republic of Macedonia allows citizens to form local self-governance communities. This provision was augmented in the Law on Local Self-Governance, which devotes a separate chapter to local communities. Urban communities can be founded in urban municipalities and local communities in rural municipalities. The areas where urban communities are founded correspond to the urban units according to the general urban plans of towns. The areas

where local communities are founded correspond to Land Register municipalities in settled regions. The statute of each municipality defines the following issues in more detail:

- forms of local self-governance communities founded in municipalities;
- the relation between the local community and the municipal bodies (municipal council and mayor);
- tasks under the mayor's jurisdiction that can be delegated to the president of the local community;
- the manner of securing funds for the delegated activities;
- other issues of importance for local self-governance communities.

Citizens from urban or rural local communities elect their assemblies according to the procedure determined by the municipality's statute. The local urban or rural community assembly elects a president for a mandate of four years from among its members. This law does not define the legal status of local communities, so these are usually self-governance communities with an unresolved legal status. There are about 2000 local self-governance communities in Macedonia, but they are far from realising their rights and obligations due to a lack of financial resources. According to our experience so far, mayors have not delegated competences to presidents of local communities, which is an indicator of the poor internal decentralisation of municipalities. To the greatest extent, local self-governance communities are primarily involved in starting civic initiatives, giving proposals and opinions on the immediate and everyday life of their citizens and organising meetings of citizens. In this domain, the cooperation of local authorities with local communities is at a satisfactory level. The Community of Local Self-Governance Units of the Republic of Macedonia has issued a manual on the rules of operation of local self-governance communities,<sup>4</sup> deeming it desirable for all municipalities and local communities to implement these rules.

### Election Models for Local Representatives, Turnout Rates at the Last Three Local Elections in Comparison with Other Elections

When it comes to election models of local authorities in the Republic of Macedonia, there were two distinctive periods.

The first election model applied was for the elections organised in the autumn of 1990, when only municipal council members were elected. They then elected

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4 See: [www.mls.gov.mk](http://www.mls.gov.mk)

a president of the municipal assembly from among them and he was the first man of the municipality analogous to today's mayor. The election of local representatives, council members, was based on lists of representatives put forth by political parties. These lists were tied together by a geographic principle, i.e. all the settled areas of the municipality had to be included, or each settled area had to have at least one candidate on the list from each political party.

The other electoral model was established for the second local elections in 1996. The regular mandate of the council members had run out already in 1994 when the parliamentary and presidential elections were held in the Republic of Macedonia, but unfortunately local elections were not organised at the time. The official attitude of the central government at the time was that it was necessary to wait for the legal framework for municipalities to be adopted before local elections could be organised. During 1995 and 1996 this legal framework was formed by the adoption of the Law on Local Self-Governance, the Law on Territorial Organisation of Local Self-Governance Units and the Law on Local Elections, and in November and December 1996, the second local elections were held in the Republic of Macedonia. The election of municipal council members followed a proportional model based on the population of the municipalities. Thus, in smaller municipalities with populations below 10,000, 13 council members were elected, while in larger ones with a population over 100,000, 25 council members were elected. Their election was carried out in a single round of elections. This electoral model has been in use to date, and two other rounds of elections were organised in 2000 and 2005. In the elections of 2005, the only change was the number of members elected to the municipal council in accordance with the population of the municipality. The range is, thus, from nine council members in the smallest municipalities with a population of 5000 up to 33 council members in municipalities with a population exceeding 100,000.

If necessary, the mayor is elected directly through two rounds of elections. In the period of 1996-2005, the office of the mayor could be held on a voluntary basis. As of 2005, this office is exclusively professional and incompatible with other functions. In the period of 1996-2002, the Law on Local Self-Governance allowed voters to impeach the mayor. As of 2002, this option is no longer available since it had never been invoked.

The tables below show the percentage of voter turnout from 1998 to 2006 in a number of election rounds. For the presidential elections, the results of the second round of elections were analysed, while for the other elections, the first rounds were studied. The voter turnout for the election of municipal council members was noted for the second round of elections. The national referendum concerning the territorial organisation of Macedonia was also included.

	Parliamentary Elections 1998	Presidential Elections 1999	Local Elections 2000	Parliamentary Elections 2002
Makedonija	69,9%	69,06%		71,8%

	Presidential Elections 2004	Referendum 2004	Local Elections 2005	Parliamentary Elections 2006
Makedonija	53,84%	26,58%		55,98%

Country Municipality	Local Elections 2000	Local Elections 2005	Parliamentary Elections 2006
Makedonija			55,9%
Veles	52,4%	51,8%	53,5%
Košani	62,3%	66,0%	66,5%
Bitolj	49,8%	42,2%	55,2%
Gostivar	51,1%	44,1%	42,9%
Strumica	70,2%	68,7%	66,7%
Vasilevo	61,3%	69,5%	62,4%
Ilinden	68,3%	79,4%	62,8%
Novaci	57,8%	65,2%	56,5%
Vrapčište	35,8%	46,4%	41,5%
Češinovo –Obleševo	66,7%	79,6%	70,9%
Čaška	65,1%	60,0%	46,9%
Zrnovci	71,1%	65,6%	52,9%
Mogila	52,7%	56,7%	52,1%
Brvenica		62,4%	50,8%
Bosilovo		71,5%	68,1%

### National Structure of Municipalities and Languages in Use

The 2002 census in the Republic of Macedonia provided data relating to the break-up of the population at both the municipal and the state level.

No.	Municipality	Overview of the National Population Break-up of							
		Total	Macedonian		Albanian		Turkish		
			No.	%	No.	%	No.	%	
	R. Makedonija	2.022.547	1.297.981	64,18	509.083	25,17	77.959	3,85	
1	Aračinovo	11597	596	5,14	10879	93,81	0	0,00	
2	Berovo	13941	13335	95,65	0	0,00	91	0,65	
3	Bitola	95385	84616	88,71	4164	4,37	1.610	1,69	
4	Bogdanci	8707	8093	92,95	2	0,02	54	0,62	
5	Bosilovo	14260	13649	95,72	0	0,00	495	3,47	
6	Brvenica	15855	5949	37,52	9770	61,62	2	0,01	
7	Valandovo	11890	9830	82,67	0	0,00	1.333	11,21	
8	Vasilevo	12122	9958	82,15	0	0,00	2.095	17,28	
9	Vevčani	2433	2419	99,42	3	0,12	0	0,00	
10	Veles	55108	46767	84,86	2299	4,17	1.724	3,13	
11	Vinica	19938	18261	91,59	0	0,00	272	1,36	
12	Vraneštica	1322	1033	78,14	10	0,76	276	20,88	
13	Vrapšište	25399	1041	4,10	21101	83,08	3.134	12,34	
14	Đevdelija	22988	22258	96,82	8	0,03	31	0,13	
15	Gostivar	81042	15877	19,59	54038	66,68	7.991	9,86	
16	Gradsko	3760	2924	77,77	125	3,32	71	1,89	
17	Debar	19542	3911	20,01	11348	58,07	2.684	13,73	
18	Debarca	5507	5324	96,68	153	2,78	2	0,04	
19	Delčevo	17505	16637	95,04	7	0,04	122	0,70	
20	Demir Kapija	4545	3997	87,94	23	0,51	344	7,57	
21	Demir Hisar	9497	9179	96,65	232	2,44	35	0,37	
22	Dojran	3426	2641	77,09	17	0,50	402	11,73	
23	Dolneni	13568	4871	35,90	3616	26,65	2.597	19,14	
24	Drugovo	3249	2784	85,69	155	4,77	292	8,99	

## The Republic of Macedonia per Municipality

Roma		Wallachian		Serb		Bosniak		Others	
No.	%	No.	%	No.	%	No.	%	No.	%
53.879	2,66	9.695	0,48	35.939	1,78	17.018	0,84	20.993	1,04
0	0,00	1	0,01	10	0,09	65	0,56	46	0,40
459	3,29	6	0,04	20	0,14	3	0,02	27	0,19
2.613	2,74	1.270	1,33	541	0,57	21	0,02	550	0,58
1	0,01	5	0,06	525	6,03	0	0,00	27	0,31
24	0,17	0	0,00	8	0,06	0	0,00	84	0,59
0	0,00	0	0,00	78	0,49	1	0,01	55	0,35
32	0,27	1	0,01	639	5,37	1	0,01	54	0,45
5	0,04	1	0,01	4	0,03	1	0,01	58	0,48
0	0,00	1	0,04	3	0,12	0	0,00	7	0,29
800	1,45	343	0,62	540	0,98	2.406	4,37	229	0,42
1.230	6,17	121	0,61	32	0,16	0	0,00	22	0,11
0	0,00	0	0,00	2	0,15	0	0,00	1	0,08
0	0,00	0	0,00	4	0,02	8	0,03	111	0,44
13	0,06	214	0,93	367	1,60	5	0,02	92	0,40
2.237	2,76	15	0,02	160	0,20	39	0,05	685	0,85
127	3,38	0	0,00	23	0,61	465	12,37	25	0,66
1.080	5,53	2	0,01	22	0,11	3	0,02	492	2,52
0	0,00	1	0,02	8	0,15	0	0,00	19	0,35
651	3,72	4	0,02	35	0,20	0	0,00	49	0,28
16	0,35	0	0,00	132	2,90	1	0,02	32	0,70
11	0,12	7	0,07	13	0,14	2	0,02	18	0,19
59	1,72	3	0,09	277	8,09	2	0,06	25	0,73
13	0,10	0	0,00	16	0,12	2.380	17,54	75	0,55
1	0,03	0	0,00	8	0,25	0	0,00	9	0,28

No.	Municipality	Overview of the National Population Break-up of							
		Total	Macedonian		Albanian		Turkish		
			No.	%	No.	%	No.	%	
25	Želino	24.390	71	0,29	24.195	99,20	2	0,01	
26	Zajas	11.605	211	1,82	11.308	97,44	0	0,00	
27	Zelenikovo	4.077	2.522	61,86	1.206	29,58	1	0,02	
28	Zrnovci	3.264	3.247	99,48	0	0,00	0	0,00	
29	Ilinden	15.894	13.959	87,83	352	2,21	17	0,11	
30	Jegunovce	10.790	5.963	55,26	4.642	43,02	4	0,04	
31	Kavadarci	38.741	37.499	96,79	2	0,01	167	0,43	
32	Bogovinje	28.997	37	0,13	27.614	95,23	1.183	4,08	
33	Karbinci	4.012	3.200	79,76	0	0,00	728	18,15	
34	Kičevo	30.138	16.140	53,55	9.202	30,53	2.430	8,06	
35	Konče	3.536	3.009	85,10	0	0,00	521	14,73	
36	Kočani	38.092	35.472	93,12	1	0,00	315	0,83	
37	Kratovo	10.441	10.231	97,99	0	0,00	8	0,08	
38	Kriva Palanka	20.820	19.998	96,05	0	0,00	2	0,01	
39	Krivogaštani	6.150	6.126	99,61	0	0,00	0	0,00	
40	Kruševo	9.684	6.081	62,79	2.064	21,31	315	3,25	
41	Kumanovo	105.484	63.746	60,43	27.290	25,87	292	0,28	
42	Lipkovo	27.058	169	0,62	26.360	97,42	0	0,00	
43	Lozovo	2.858	2.471	86,46	35	1,22	157	5,49	
44	Mavrovo i Rostuša	8.618	4.349	50,46	1.483	17,21	2680	31,10	
45	M. Kamenica	8.110	8.055	99,32	0	0,00	0	0,00	
46	Makedon-ski Brod	7.141	6.927	97,00	0	0,00	181	2,53	
47	Mogila	6.710	6.432	95,86	34	0,51	229	3,41	

## The Republic of Macedonia per Municipality

The Republic of Macedonia per Municipality										
	Roma		Wallachian		Serb		Bosniak		Others	
	No.	%	No.	%	No.	%	No.	%	No.	%
	0	0,00	0	0,00	1	0,00	5	0,02	116	0,48
	0	0,00	0	0,00	6	0,05	0	0,00	80	0,69
	92	2,26	1	0,02	45	1,10	191	4,68	19	0,47
	0	0,00	13	0,40	2	0,06	0	0,00	2	0,06
	428	2,69	1	0,01	912	5,74	0	0,00	225	1,42
	41	0,38	0	0,00	109	1,01	1	0,01	30	0,28
	679	1,75	27	0,07	218	0,56	4	0,01	145	0,37
	5	0,02	0	0,00	1	0,00	9	0,03	148	0,51
	2	0,05	54	1,35	12	0,30	0	0,00	16	0,40
	1.630	5,41	76	0,25	86	0,29	7	0,02	567	1,88
	0	0,00	0	0,00	3	0,08	0	0,00	3	0,08
	1.951	5,12	194	0,51	67	0,18	2	0,01	90	0,24
	151	1,45	1	0,01	33	0,32	0	0,00	17	0,16
	668	3,21	3	0,01	103	0,49	2	0,01	44	0,21
	8	0,13	0	0,00	6	0,10	0	0,00	10	0,16
	0	0,00	1.020	10,53	38	0,39	137	1,41	29	0,30
	4.256	4,03	147	0,14	9062	8,59	20	0,02	671	0,64
	0	0,00	1	0,00	370	1,37	6	0,02	152	0,56
	0	0,00	122	4,27	27	0,94	34	1,19	12	0,42
	10	0,12	0	0,00	6	0,07	31	0,36	59	0,68
	14	0,17	0	0,00	24	0,30	8	0,10	9	0,11
	3	0,04	0	0,00	22	0,31	1	0,01	7	0,10
	6	0,09	0	0,00	2	0,03	0	0,00	7	0,10



No.	Municipality	Overview of the National Population Break-up of							
		Total	Macedonian		Albanian		Turkish		
			No.	%	No.	%	No.	%	
48	Negotino	19.212	17.768	92,48	30	0,16	243	1,26	
49	Novaci	3.549	3.490	98,34	21	0,59	27	0,76	
50	Novo Selo	11.567	11.509	99,50	0	0,00	0	0,00	
51	Oslomej	10.420	110	1,06	10.252	98,39	0	0,00	
52	Ohrid	55.749	47.344	84,92	2.962	5,31	2.268	4,07	
53	Petrovec	8.255	4.246	51,44	1.887	22,86	75	0,91	
54	Pehčevo	5.517	4.737	85,86	0	0,00	357	6,47	
55	Plasnica	4.545	34	0,75	20	0,44	4.446	97,82	
56	Prilep	76.768	70.878	92,33	22	0,03	917	1,19	
57	Probištip	16.193	15.977	98,67	0	0,00	6	0,04	
58	Radoviš	28.244	23.752	84,10	8	0,03	4.061	14,38	
59	Rankovce	4.144	4.058	97,92	0	0,00	0	0,00	
60	Resen	16.825	12.798	76,07	1.536	9,13	1.797	10,68	
61	Rosoman	4.141	3.694	89,21	0	0,00	0	0,00	
62	Sveti Nikole	18.497	18.005	97,34	0	0,00	81	0,44	
63	Sopište	5.656	3.404	60,18	1.942	34,34	243	4,30	
64	Staro Nagoričane	4.840	3.906	80,70	1	0,02	0	0,00	
65	Struga	63.376	20.336	32,09	36.029	56,85	3.628	5,72	
66	Strumica	54.676	50.258	91,92	3	0,01	3.754	6,87	
67	Studeničani	17.246	309	1,79	11.793	68,38	3.285	19,05	
68	Tearce	22.454	2.739	12,20	18.950	84,39	516	2,30	
69	Tetovo	86.580	20.053	23,16	60.886	70,32	1.882	2,17	
70	Centar Župa	6.519	814	12,49	454	6,96	5.226	80,17	
71	Čaška	7.673	4.395	57,28	2.703	35,23	391	5,10	
72	Češinovo	7.490	7.455	99,53	0	0,00	0	0,00	

## The Republic of Macedonia per Municipality

Roma		Wallachian		Serb		Bosniak		Others	
No.	%	No.	%	No.	%	No.	%	No.	%
453	2,36	14	0,07	627	3,26	1	0,01	76	0,40
0	0,00	1	0,03	7	0,20	0	0,00	3	0,08
3	0,03	0	0,00	25	0,22	2	0,02	28	0,24
0	0,00	0	0,00	0	0,00	1	0,01	57	0,55
69	0,12	323	0,58	366	0,66	29	0,05	2.388	4,28
134	1,62	0	0,00	415	5,03	1.442	17,47	56	0,68
390	7,07	2	0,04	12	0,22	0	0,00	19	0,34
0	0,00	0	0,00	0	0,00	0	0,00	45	0,99
4.433	5,77	17	0,02	172	0,22	86	0,11	243	0,32
37	0,23	37	0,23	89	0,55	1	0,01	46	0,28
271	0,96	26	0,09	71	0,25	1	0,00	54	0,19
57	1,38	0	0,00	18	0,43	0	0,00	11	0,27
184	1,09	26	0,15	74	0,44	1	0,01	409	2,43
6	0,14	0	0,00	409	9,88	0	0,00	32	0,77
72	0,39	238	1,29	71	0,38	1	0,01	29	0,16
0	0,00	4	0,07	32	0,57	0	0,00	31	0,55
1	0,02	0	0,00	926	19,13	0	0,00	6	0,12
116	0,18	656	1,04	106	0,17	103	0,16	2.402	3,79
147	0,27	3	0,01	185	0,34	6	0,01	320	0,59
73	0,42	0	0,00	14	0,08	1.662	9,64	110	0,64
67	0,30	0	0,00	14	0,06	1	0,00	167	0,74
2.357	2,72	15	0,02	604	0,70	156	0,18	627	0,72
0	0,00	0	0,00	0	0,00	0	0,00	25	0,38
0	0,00	1	0,01	55	0,72	67	0,87	61	0,79
0	0,00	30	0,40	4	0,05	0	0,00	1	0,01

No	Municipality	Overview of the National Population Break-up of						
		Total	Macedonian		Albanian		Turkish	
			No.	%	No.	%	No.	%
73	Čučer-Sandevo	8.493	4.019	47,32	1.943	22,88	0	0,00
74	Štip	47.796	41.670	87,18	12	0,03	1.272	2,66
75	Aerodrom	72.009	64.391	89,42	1.014	1,41	430	0,60
76	Butel	37.371	22.553	60,35	10.266	27,47	1.304	3,49
77	Gazibaba	72.617	53.497	73,67	12.502	17,22	606	0,83
78	Đorče Petrov	41.634	35.455	85,16	1.597	3,84	368	0,88
79	Karpoš	59.666	52.810	88,51	1.952	3,27	334	0,56
80	Kisela Voda	57.236	52.478	91,69	250	0,44	460	0,80
81	Saraj	35.408	1.377	3,89	32.408	91,53	45	0,13
82	Centar	45.362	38.778	85,49	1.415	3,12	492	1,08
83	Čair	64.823	15.628	24,11	36.971	57,03	4.500	6,94
84	Šuto Orizari	20.800	1.391	6,69	5.516	26,52	56	0,27

The Constitution of the Republic of Macedonia and the Law on Local Self-Governance stipulate that the official language in all municipalities is Macedonian and the script, Cyrillic. In municipalities where more than 20% of the population uses a language other than Macedonian and the Cyrillic script, their language and script are in use. The municipality council can also introduce another language into official use for those communities that make up less than 20% of the population of the municipality. At the moment, in 32 Macedonian municipalities, languages and scripts other than the Macedonian language and the Cyrillic script are in use where their communities make up more than 20% of the population in the municipality:

- in 28 municipalities, the Albanian language and script are in use;
- in 4 municipalities, the Turkish language and script are in use;
- in 1 municipality, the Serbian language and script are in use;
- in 1 municipality, the Romani language and script are in use;
- in 1 municipality, the Wallachian language and script are in use.

In municipalities where the national structure is mixed, certain decisions by the municipal councils are made in accordance with the so-called Badinter majority. Regulations pertaining to culture use of language and script by communities that

The Republic of Macedonia per Municipality										
Roma		Wallachian		Serb		Bosniak		Others		
No.	%	No.	%	No.	%	No.	%	No.	%	
23	0,27	16	0,19	2.426	28,56	1	0,01	65	0,77	
2.195	4,59	2.074	4,34	297	0,62	11	0,02	265	0,55	
580	0,81	501	0,70	3.085	4,28	538	0,75	1.470	2,04	
561	1,50	120	0,32	1.041	2,79	970	2,60	556	1,49	
2.082	2,87	236	0,32	2.097	2,89	710	0,98	887	1,22	
1.249	3,00	109	0,26	1.730	4,16	489	1,17	637	1,53	
615	1,03	407	0,68	2.184	3,66	98	0,16	1.266	2,12	
716	1,25	647	1,13	1.426	2,49	425	0,74	834	1,46	
273	0,77	0	0,00	18	0,05	1.120	3,16	167	0,47	
974	2,15	459	1,01	2.037	4,49	108	0,24	1.099	2,42	
3.083	4,76	78	0,12	621	0,96	2.950	4,55	992	1,53	
13.342	64,14	0	0,00	59	0,28	177	0,85	259	1,25	

make up less than 20% of the municipality' population, the determination and use of the municipal coat of arms and flag are adopted by a simple majority vote of present council members. The precondition is the majority of votes of present council members belonging to the minority community in the municipality. This same rule is applied to the adoption of names of streets, squares and other infrastructure. This is also applied in municipalities where Macedonians are the minority, and valid decisions require that the majority of Macedonian council members vote in favour of the decision so that it may be passed by a Badinter majority in the municipal council.

### Indicators of Civic Participation in Decision Making in Municipalities

The Constitution of the Republic of Macedonia foresees that citizens of local self-governance units shall directly and through chosen representatives decide on matters of local importance. Direct decision making by citizens in local self-governance is a guaranteed constitutional right of all citizens of the Republic of Macedonia.

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*The Law on Local Self-Governance* foresees a number of forms of direct participation of citizens in the decision making process of municipal bodies. The forms used for direct civic participation are: civic initiative, citizens' assembly, and referendum. The costs of implementing direct civic participation in the decision making process are covered by the municipal budget.

The citizens have the right to request the municipal council to pass a legal act or resolve an issue within its jurisdiction. Civic initiatives launched by 10% of registered voters, or 10% of a local community, must be included on the municipal council meeting agenda within 90 days from the date when they are submitted. The council is also obliged to inform the citizens of its conclusions pertaining to the civic initiative.

A citizens' assembly can be convened for the area of the entire municipality, or just one local self-governance community. A citizens' assembly may be convened by the mayor, at his/her own initiative, at the request of the municipal council, or at the request of at least 10% of the registered voters in the municipality, or the local community concerned with the issue at hand. Municipal bodies are obliged to consider the conclusions of the citizens' assembly within 90 days and to take them into account when deciding on the measures to be implemented in order to resolve the issue(s) at stake. Municipal bodies are obliged to inform interested citizens about their decisions.

The most powerful form of direct civic participation in the municipal decision making process is the referendum. Through a referendum, citizens can decide on issues under the competences of the municipality, as well as on other matters of local importance. The municipal council can organise a referendum on its own initiative, or at the request of at least 20% of the registered voters in the municipality. The decision made by referendum is binding for the municipal council.

The analysis of the 15 municipalities over the past four years leads to the following conclusion: citizens practice all three forms of direct civic participation in the municipal decision making process.

The most frequent models of direct civic participation in decision making are: civic initiative and citizens' assembly. The referendum is not widely practiced, except in 2004, when local referendums were organised to contest the territorial organisation of municipalities in the country.

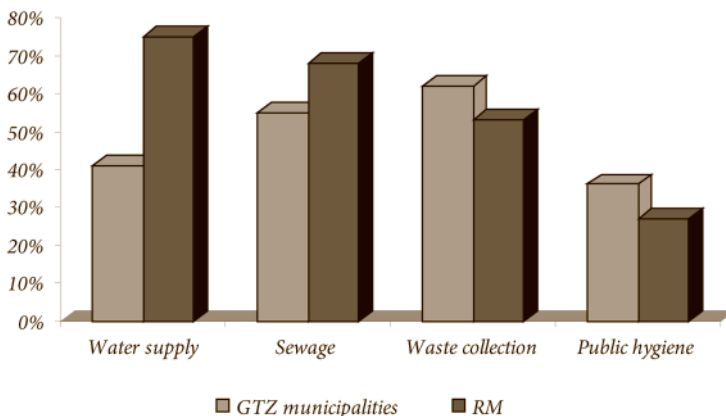
## Quality of Services Provided by the Local Authorities

Over the past few years, there has not been a lot of research pertaining to the quality of services provided by the municipalities. In this publication, we have taken into account the analysis of service quality provided by public utilities enterprises in ten Macedonian municipalities, 5 and we shall single out the following municipalities: Kočani, Gostivar, Ilinden and Strumica.

Two surveys have been carried out concerning either the quality of services provided by municipalities, or the major public utilities enterprises founded by municipalities. The first survey was conducted in 2004, and the second in 2006. We shall present the findings of the 2006 survey.

The findings show that the citizens of Macedonia are mostly satisfied with the water supply system (74%), then the sewage system (68%), waste disposal (53%), while the least number of citizens are satisfied with public sanitation (26%). The average number of citizens that have expressed satisfaction with the services provided by the public utilities enterprise in the municipalities included in the GTZ programme shows that in the majority of these municipalities, the citizens are most satisfied with the waste disposal (62%), which is statistically different from the national average. Sewage is second with 55%. It should be noted that this overall average is brought down by the situation in the Ilinden municipality where this problem has not been solved. Water supply is third (41%), while public sanitation is fourth with 36% of the citizens from the municipalities included in the GTZ programme expressing their satisfaction. This is statistically more important in terms of its relation to the national average.

### Satisfaction with Services Provided by the Public Utilities Enterprise



The satisfaction with the water supply system in the national sample is 74% satisfied, 12% indifferent and 14% dissatisfied. In the municipalities included in the GTZ programme, the public is divided into those who are satisfied and those who are dissatisfied. This highlights the need to examine the situation in each municipality individually.

#### Citizens' Satisfaction with Public Utilities Services

SATISFIED	Kočani	Kavadarci	Negotino	Ilinden	Gostivar	Kruševo	Radoviš	RM
	%							
Water supply system	45	60	11	70	19	58	69	74
Sewage	58	76	79	0	61	69	69	68
Waste disposal	36	65	60	91	56	64	71	53
Public sanitation	28	21	43	51	36	21	35	26

The least level of satisfaction with the water supply system was expressed in Negotino with 11% and Gostivar with 19%. The number of satisfied citizens in the Ilinden municipality (70%) is close to the national average. Kočani (45%) and Kavadarci (60%) are below the national average. These results show that the average satisfaction in municipalities included in the GTZ programme considerably differs from the satisfaction with the water supply system, that is, there is a statistically significant difference depending on the municipality.

As for the satisfaction with the sewage system, on the national level, 68% of the citizens expressed satisfaction, 14% were indifferent and 15% were dissatisfied. A comparison between the municipalities in the GTZ programme and control municipalities shows a more homogenous and closer percentage than the case with the water supply system.

At the municipal level, and in terms of the sewage system, the Ilinden municipality is most specific, because the majority of citizens do not use the public sewage system. This is the source of their dissatisfaction.

Variations in responses were also found in other municipalities. In Negotin (79%) and Kavadarci (76%), satisfaction with the sewage system is above the national average, while in the control municipalities, satisfaction is on the level of the national average (69%). The citizens in Kočani (58%) and Gostivar (61%) are less satisfied and their percentages are below the national average.

In terms of waste disposal, the most significant percentage of satisfied citizens comes from the Ilinden municipality (91%), while those in Kočani are least satisfied. The responses of citizens from Gostivar (56%), Negotin (60%) and Kavadarci (65%) are above the national average. The national average level of satisfaction with waste disposal of 53% determines the relative dissatisfaction of the citizens of Skopje (46%).

Public sanitation, a service provided by the Public Utilities Enterprise, is what the citizens are least satisfied with in comparison to the other services (water supply, sewage and waste disposal). A greater number of citizens in municipalities from the GTZ programme are satisfied in comparison with the national average. There is a statistically significant difference in the responses from these municipalities pertaining to public sanitation. For instance, the most satisfied are the citizens of Ilinden (51%), Negotin (42%) and Gostivar (36%). Kočani is at the level of the national average with 28%, while Kavadarci has the least satisfied citizens (21%).

## CONCLUSION

Based on the analysis conducted through this survey on the effect of the size of municipalities on the implementation of legal competencies, we can certainly conclude that in the Republic of Macedonia, reality is not in line with the Constitution, according to which all local self-governance units should have the same treatment. Most often, municipalities that have existed prior to 1996 have had greater financial and human resources, in contrast to municipalities founded after 1996. The regional units of central government institutions are concentrated in municipalities founded prior to 1996. Citizens in municipalities founded after 1996 realise their rights in the municipalities where the regional units of ministries and other state institutions are located.

At the start of the decentralisation process, institutions that were decentralised generally had their seats in municipalities founded before 1996. Thus, in many



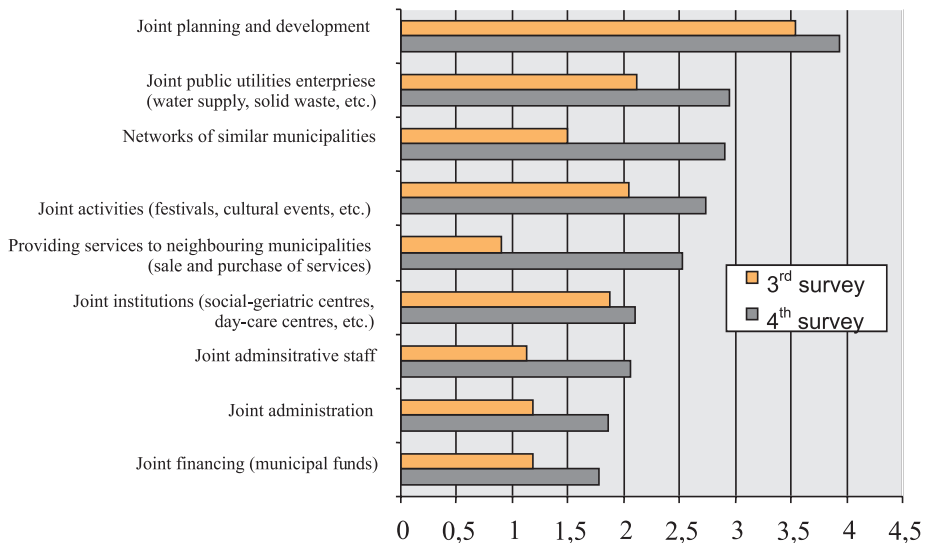
municipalities, institutions of secondary education, social security, day-care, and fire fighting were never decentralised. This has led to an unequal position of so-called old and new municipalities, those founded in 1996 and those reconstructed in 2005.

I can, therefore conclude that the size of the municipality is of great importance in terms of its possibility to realise its competences as foreseen by positive legal regulations pertaining to local self-governance. Larger municipalities are better prepared than smaller and newer municipalities when it comes to implementing their legal competences.

One of the possibly applicable solutions for this problem is introducing mandatory competences and elective competences. Mandatory competences would have to be implemented by all municipalities, while elective competences could be implemented only by those municipalities that have the financial, human and institutional resources.

Another solution would be to introduce a second level of local self-governance that would implement the competences that cannot be covered by some municipalities.

### Planned forms of IMC







Dr Zdravko ZLOKAPA

# IT WON'T BUILD BY ITSELF

- Local Self-Governance in Bosnia and Herzegovina -



## INTRODUCTION

In Bosnia and Herzegovina, local self-governance has been developing through two separate and somewhat different subsystems – one in Republika Srpska and one in the Federation of BiH. This fact should not be ascribed to a value connotation and should certainly not be seen as politically disqualifying, as BiH is not the only country with parallel systems of local self-governance. In that respect, the situation in BiH is most like that in Germany where local self-governance comes under the jurisdiction of federal units (Länder) that set up local self-governance structures and competences in accordance with their own choices, knowledge and experience. In BiH, local self-governance – its definition and regulation of all related important matters – falls under the exclusive jurisdiction of the entities, since the Constitution of BiH does not contain an institute of joint or distributed competences.

However, since the entities of Bosnia and Herzegovina differ from each other, local self-governance is treated somewhat differently in Republika Srpska and in the Federation, respectively. This is reflected by the different competences that the entity constitutions and laws entrust to municipalities as local self-governance units, in the varying degree to which municipalities implement the delegated competences and the different relationship of the municipalities with higher levels of government.

Up to this point, it seems, the theoretical model has maintained coherence and can explain the differences in the types of local self-governance established in the entities. Indeed, from a theoretical viewpoint, there is nothing problematic so far since one state – theoretically – can have diverse subsystems of local self-governance.

Problems arise on the empirical plane, and are manifested through the poor functioning of local self-governance in both entities, which is:

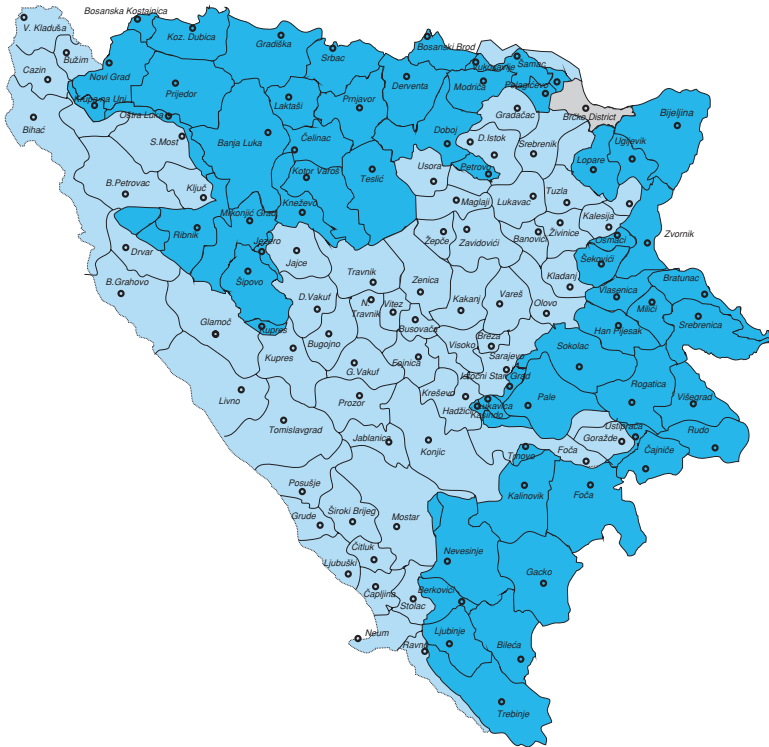
- objectively manifested through the poor quality of satisfying local needs,
- subjectively manifested through the dissatisfaction of the citizens.

However, an important condition pertaining to the source of the above mentioned differences in local self-governance concepts should be noted. The differences in the systems of local self-governance in the entities of Bosnia and Herzegovina did not arise as a result of historical or cultural differences, and certainly do not stem from different theoretical concepts of local self-governance – they are the result of political circumstances. What happened? The explanation that follows is technical and not political in nature, although it tackles some sensitive political issues.

Another important aspect that should be noted in this discussion is the international law aspect of local self-governance. Due to the supremacy of international law over domestic law, neither the Ländern of the Federal Republic of Germany, nor the entities of Bosnia and Herzegovina have complete freedom in modelling local self-governance. All the states that have signed the European Charter on Local Self-Governance are obliged to abide by its provisions. This charter does not provide a precise model, but only general principles of local self-governance broad enough for states signatories to construct nationally recognisable and specific models of local self-governance that will still maintain the same democratic principles, or legislatively introduce what is today considered standard in this domain.

## ENTITIES, CANTONS, MUNICIPALITIES...

At the beginning, it is necessary to explain the political-territorial organisation of Bosnia and Herzegovina and the structure of the entities, since this affects the establishment of local self-governance and its functioning.



Bosnia and Herzegovina is a complex state made up of two entities, the Federation of Bosnia and Herzegovina and Republika Srpska. With its area of 51,209 km<sup>2</sup>, BiH is one of the smallest countries in the region, but still twice as large as Slovenia or Macedonia. According to the last official census from 1991, the population of BiH was 4,354,911. The BiH Statistic Agency estimated the number of domicile population in 2005 to be 3,842,537, while the CIA World Fact book from July 2007 cites the figure of 4,552,198 in terms of population. The entities share the territory at a ratio of 51%: 49% with the Federation of BiH having the larger portion.

### The Federation of Bosnia and Herzegovina

The Federation of Bosnia and Herzegovina, as can be seen from its name, is a complex structure. It is made up of 10 cantons, whose constitutional nature is not very clear since the Constitution of FBiH defines them only as federal units with equal rights and responsibilities (FBiH Constitution, I Article 1, para. 1 and Article 2). More important than the constitutional and legal nature of the

cantons are the competences delegated to them by the Federation. It has retained only ten of the most important powers as exclusive, nine are shared with the cantons,<sup>1</sup> and everything else is delegated to cantonal responsibility by a general provision (general presumption of jurisdiction). In the same Article that ascribes all competences that are not explicitly intended for the Federation to the cantons, the Constitution singles out twelve cantonal competences as warranting “special” attention. Local self-governance is never explicitly mentioned, which leads to the conclusion that it must be included in “all” the competences under the sole jurisdiction of the cantons. Although it would then suggest that all the local self-governance regulations should be under the authority of the bearer of sole jurisdiction, i.e. the cantons, the Federation still devotes Chapter VI of its constitution to local self-governance. In truth, this chapter is titled “Municipal Authorities” and local self-governance as such is mentioned only once, in Article VI 2, which says that local self-governance is realised in municipalities. However, it is interesting that municipal affairs are not mentioned, or are the activities of local authorities. This chapter only regulates the structure of local government bodies, the manner of their election, and the like.

Since constitutional formulations are usually very brief and go into detail only on matters of human rights and the organisation of government, laws are used to expand the intentions of the constitution. This is true in the case of the Constitution of the Federation of BiH and the concept of local self-governance contained therein. Everything or almost everything is relinquished to legislation. Since its inception, the Federation of BiH has passed a law regulating local self-governance on two occasions. Although the regulation from 1995 was titled the *Law on the Foundations of Local Self-Governance* (Official Gazette of FBiH 6/95), and the one from 2006, the *Law on the Principles of Local Self-Governance*

<sup>1</sup> Chapter III, Article 1 of the Constitution of FBiH states: “The Federation shall have exclusive responsibility for: a) foreign policy; b) organisation and conduct of defence of the Federation and protection of its borders, including the establishment of a joint command of Federation armed forces, monitoring of military production, and conclusion of military agreements; c) citizenship of the Federation; d) making economic policy, including planning and reconstruction, and land use policy on the federal level; e) regulating trade, including customs, international trade and finances, trade within the Federation, industrial property rights, standardisation of products, bonds and communications; f) regulating finances and financial institutions of the Federation, including the establishment and control of the Federation currency, determining monetary and fiscal policy, and establishing the central bank; g) combating international and inter-cantonal crime, especially terrorism, drug trafficking and organized crime, as well as cooperation with Interpol; h) allocating electronic frequencies for radio, TV and other purposes; i) making energy policy, including inter-cantonal distribution matters, and providing and maintaining the related infrastructure; j) financing activities of or under the aegis of the Federal Government by taxation, borrowing, or other means.”

Article 2 of the FBiH Constitution stipulates: “Both the Federation Government and the Cantons are to have responsibilities for the following: a) guaranteeing and enforcing human rights; b) health; c) environmental policy; d) infrastructure for communications and transport; e) social welfare policy; f) implementing laws and regulations concerning citizenship; g) immigration and asylum; h) tourism; and i) use of natural resources.

(Official Gazette of FBiH 49/06), in both cases the laws contained much more than mere “foundations” and “principles”. In fact, they were so detailed in their regulation that cantonal bylaws had nothing left to “expand on”. But would generally adopt the Federal provisions verbatim. However, despite the nomo-technical shortcomings of this legislation, it is evident that local self-governance regulations in the Federation evolved in a positive direction during that time period:

- a modern European concept of local self-governance was adopted (not as the personal right of citizens, but as the right of local bodies to manage part of the local affairs in the interests of the local population);
- the city as a local self-governance unit was introduced into the mono-type structure of local self-governance
- municipality competences were gradually expanded;
- the manner of electing the mayor was changed (the mayor is not elected directly by the citizens, while beforehand he/she was appointed by the municipal council), etc.

It seems that the greatest progress in the modernisation of local self-governance was achieved by increasing the competences of local self-governance units. According to the currently valid Federal Law, the one from 2006, competences of local self-governance units are not nearly as restricted or meagre as we may be led to believe by consulting the relevant constitutional provisions.<sup>2</sup> According to this law, local self-governance units have two types of competences in line with the usual classification in local self-governance theory:

- a) the first group consists of so-called *self-governance or original competences*, where we can classify all those matters ascribed to local self-governance units by law to be implemented as original affairs. This certainly includes activities established as competences by the local self-governance units themselves in an attempt to serve their citizens.<sup>3</sup> It should certainly be noted that the list of original competences can be expended and reduced because it does not refer to matters “naturally” belonging to local units, but rather to matters established by law and the municipality statute as original competences. This means that the original scope of activities can differ from country to country, and also that local communities within

<sup>2</sup> This can already be seen from the wording of Article 8 that regulates their scope of self-governance. Namely, of the 4130 words the legislator deemed necessary to regulate this area, only one paragraph refers to the competences of local self-governance units and takes up a little over 500 words, or an eighth of the Law. See: Law on the Principles of Local Self-Governance, Official Gazette of FBiH 49/06.

<sup>3</sup> This does not mean, however, that the municipality can take on any competences it believes it could implement better than the body to which it is otherwise entrusted, for this would lead to chaos in the country. Apart from the activities entrusted to it by law, Article 8 of the Law gives the municipality the right to engage in “all issues of local significance that are not excluded from its competences, or entrusted to another authority as per the constitution and the law.” (my Italics)



the same country can be accorded different types of “original” competences in different time periods depending on the degree of centralisation of the political system, the development of local communities, etc. With respect to original competences, it is important to note that state bodies can only control whether local communities abide by the law, but cannot interfere to assess the purposefulness or other aspects of these affairs that are completely local.

- b) The other group consist of *transferred, entrusted or delegated affairs*. These are affairs belonging to higher levels of government whose implementation has been transferred to local communities, while control over their legality, punctuality and quality was retained by the higher level authority.

Currently, we are most interested in affairs stemming from the original competences of local units, because they make up most of their work. Later, we will discuss delegated affairs as well.

Affairs from **original competences**, as they are enumerated in this Federal Law, can be classified into three groups – *regulatory, service and evaluation* competences of local self-governance units. This division is provisional, and the ratio between the competences varies. As we shall see, local self-governance units are decreasingly in the role of direct providers of various services, and are increasingly being transformed into regulatory-administrative institutions. This law ascribes numerous competences to local self-governance units in the Federation that are by no means insignificant to either citizens as individuals or society as a whole.

We point this out because both among researchers but especially among laymen, the general perception is that in dividing competences, the constitution and legislation ascribe the most important to the state, the somewhat less important, to the cantons and the least important are left to local self-governance units. Since this distribution implies that the most important activities are also the most profitable, it would suggest that the state always leaves for itself the most profitable activities and delegates to the municipalities' activities that do not use the budget as much. Concerning the importance of activities for citizens – the picture is much different. However, the fact remains that in every constellation, the state does not relinquish control over tax collection and the distribution of income from taxes. Municipalities are allowed their own sources of income – such as administrative taxes and local fees, but these sources are never as abundant as the ones kept by the state for its own budget.

Let us take a look at the type of competences accorded by the Law to local self-governance units in the Federation.

1. *Regulatory competences* would, according to our classification, include all those competences where the local community is the mainly institution with the policy-making, planning and coordinating role, and in this case they are as follows:
  - guaranteeing and protecting human rights and fundamental freedoms in line with the constitution;
  - adopting the local self-governance unit budget, and passing development plans and programmes, as well as creating the preconditions for economic development and employment;
  - determining and implementing spatial planning and environmental policies, adopting spatial, urban and implementation plans, including zoning and determining and implementing residential policies and passing a programme of housing and other construction works;
  - determining the policies and fees for the use of public goods, devising and implementing policies of disposal, use and management of construction sites, determining policies of management and disposal of the local self-governance unit's properties, and determining policies for managing natural resources in the local self-governance unit and distributing the income from their use;
  - establishing and carrying out inspections surveying the implementation of regulations under the competences of the local self-governance unit;
  - adopting regulations on taxes, fees, duties and tariffs under the competences of the local self-governance unit;
  - organising a referendum in the territory of the local self-governance unit, as well as undertaking public loans and deciding about the loans of the local self-governance unit;
  - organising efficient local administrations catered to local needs and establishing the organisation of local communities.
  
2. *Service competences* are the competences where the municipality is the institution providing a service to the population or ensuring the preconditions for the provision of a service. This category contains the following competences:
  - planning and providing public utilities (water supply, drainage and disposal of waste water; collection and disposal of solid waste; public sanitation; town cemeteries; local roads and bridges; street lighting; public parking and parks);
  - organising and improving local public transport;
  - determining the policy of pre-school education, improving the network of institutions and managing and financing public pre-school education institutions;
  - founding, managing, financing and improving primary education institutions;

- founding, managing, improving and financing institutions and constructing facilities to satisfy the needs of the population in terms of culture and sports;
  - organising, implementing and accounting for measures of protection and rescue of people and material goods in the event of severe weather conditions and natural disasters;
  - undertaking measures to ensure hygiene and health;
  - ensuring preconditions for the work of local radio and TV stations in line with the law;
  - securing and documenting personal data about citizens and electoral directories;
  - competences pertaining to land measurement and land registry and documentation of real-estate;
  - protection of animals.
3. *Evaluation competences* are those competences for which the local units are explicitly authorised by this law to analyse and assess the work of certain cantonal and state bodies, organisations and services. Truth be told, the emphasis of only some of these activities can be surprising since every local unit has the right to analyse and assess the work of all cantonal and state bodies and to inform the public of its findings. However, the law specifically singles out the following cases:
- assessing the work of institutions and the quality of services in healthcare, social security, education, culture and sports, as well as securing the financial means for the improvement of their operation and the quality of services in accordance with the needs of the population and the capacities of the local self-governance units;
  - analysing the state of public law and order, personal and property security, and proposing measures to authorised bodies pertaining to these issues.

As can be seen from the above, the law entrusts local self-governance units with many and quite important authorisation competences and, on top of that, the law authorises them to deal with other (the *law* stipulates “all”) issues of local importance that are not excluded from their jurisdiction and are not entrusted to another level of government. This is completely in line with the *European Charter on Local Self-Governance*, since the entire law is formulated in line with this European document, which was ratified by BiH.

If we compare the legislative solutions from 1995 and 2006, we shall see that the concept of local self-governance in the Federation of BiH has been developing positively by adopting the features of local self-governance from EU countries. For now, we can only talk about the evolution of a normative model for local self-governance. Only insight into the actual functioning of these new normative

solutions can provide information about whether this development is merely conceptual and theoretical or whether it also transpires at the level of real relations. It should be noted that the new model of local self-governance was introduced in the legislation only one year ago,<sup>4</sup> which is too short a time to provide visible results. Also, we should not forget that normative models are never fully realised since they represent a projection whose implementation is often affected by unforeseeable or unknown factors. That is why this law should be understood as only a phase in the gradual democratisation of the current centralised entity-cantonal structure and as an orientation towards the modern concept of state government that entails more considerable decentralisation.

Apart from the municipalities and cities as units of local self-governance, the Federation of BiH has another level of government. These are the cantons, which are not another level of local self-governance but rather political and territorial units with pronounced state-like features. The cantons express these deformed state-like qualities especially in their relation to the municipalities. Although the constitutional and normative model foresees that many affairs must be transferred from the cantons to the municipalities (especially in those municipalities whose majority population is not of the same nationality as the majority population of the canton), in reality this does not happen. The cantons simply retain many competences for themselves and stray away from the normative model.

On the other hand, the constitutions of some cantons contain very shrewd innovations, such as the case of the Bosanko-podrinjski Canton of Goražde whose constitution foresees that “municipalities in the territory of the canton may have different competences depending on the overall policy of functioning and development of the canton, as well as on the economic, spatial and other position of individual municipalities (Article 5).” The cantonal constitution encountered the problem that municipalities vary considerably in terms of size, development and capacity management and that they could not adequately perform all competences as per the federal constitutions. Instead of normatively introducing a series of types of municipalities and giving them various competences (and thus only contributing to the already complex political organisation of the Federation), the cantonal constitution solved this problem by introducing factual differences in municipality types through the possibility of delegating various competences to the municipalities. Simple and efficient!<sup>5</sup>

4 The Law on the Principles of Local Self-Governance in the Federation of Bosnia and Herzegovina was published in the Official Gazette of the Federation of BiH, No. 49/06 from 30 August 2006.

5 Pointing out the good sides of this solution does not diminish its potential disadvantages. If the allocation of municipal competences is left to executive cantonal authorities, this inevitably raises issues of the impartiality of those authorities and their ability to resist the pressure to diminish the range of competences for some municipalities, while enlarging it for others. Impartiality in entrusting competences as guaranteed by the prescribed multi-type model, whereby set criteria automatically determine the type and appropriate competences for each municipality, is thus compromised.

There are 79 municipalities in the Federation and they differ greatly in many respects: in terms of their territories, population sizes, levels of development (whichever way it is measured), levels of urbanisation, etc. It is logical to expect that these differences should affect the implementation of municipal competences. Since the same differences are encountered among municipalities in Republika Srpska, we shall examine the consequences of these differences once we have outlined the system of local self-governance in the other Bosnia-Herzegovina entity.

### Republic of Srpska

In contrast to the Federation of BiH, which is a complex political-territorial community, Republic of Srpska is organised in a unitary fashion. From the point of view of this study, that means that between local self-governance units (as the lowest level of government) and the entity authorities (as the highest level of government within entity boundaries) there is no mid-level such as a canton, province, district or region.<sup>6</sup> This also means that the entity administration, primarily the ministry in charge of local self-governance, communicates with municipalities and cities directly and without mediators. This may look like an advantage, but a detailed analysis shows that this type of communication does not always provide the best results.

Namely, in Republic of Srpska, there are 63 municipalities (or more precisely: 61 municipalities and two cities) and they all file their various requests with the government and its ministries, seeking contacts, instructions and advice, lobbying for various projects, requesting additional funds or ultimately demanding what they believe they justly deserve. This often leads to what is known in communication theory as network overload, and in essence – apart from the poor information flow through communication channels – it means that the government and its ministries lack the necessary capacities to respond to all the requests they receive. Namely, it should be noted that the municipalities are not the only institutions contacting the government; there are also numerous companies, international contacts, non-governmental organisations and many other subjects to whose pressures the government is exposed and with whom

<sup>6</sup> This is highlighted because there are texts stating that Republika Srpska is divided into five regions – Banja Luka, Doboj, Bijeljina, Sarajevo-Romanija and Trebinje. However, this is not an administrative division, since these economic regions are neither political-territorial units nor local self-governance units. Even the website of the Council of Ministers contains the following sentence: “Republika Srpska is administratively divided into regions, and into municipalities” (See: <http://www.vijeceministara.gov.ba/bosanski/bih.php>). The same text can be found on the website of the Ministry of Foreign Affairs of BiH (See: <http://www.mfa.gov.ba/index.htm>). The website of the Direction for European Integrations has chosen the correct approach and given the correct information, albeit with a rather ugly formulation: “Republika Srpska is administratively divided (my underline) into 62 municipalities.” (<http://www.dei.gov.ba/ba/?ID=533>)

it maintains constant or sporadic contact. Apart from that, Republic of Srpska has an unusual, and in terms of administration rationality, wholly impractical form of territory where certain municipality centres are 300 to 400 km away from the central administration, which due to poor roads and communications, encumbers communication between the centre and the periphery.

The internal form of organisation is in itself more prone to centralism than the federal organisation. It is, therefore, not surprising that Republic of Srpska achieved its *Law on Local Self-Governance* which introduces a certain degree of decentralisation only on the third try. The application of this law began on 1 January 2005, and the *law* had already been commended by the Council of Europe as a good nomo-technical product of the RS legislators, as well as an important measure taken by this entity to modernise its own political concept. However, after only one year during which many aspects of this law were not applied in practice, the government tried to change it by reducing the autonomy of the municipalities.

The Constitution of Republic of Srpska, being the legal basis for this law, contains a much contracted concept of local self-governance that reduces municipal competences to elementary, mainly public utilities and service affairs. However, in order to avoid immobilising the state of local self-governance by making its changes completely dependent on the changes to the constitution, the framer of the constitution found a solution in a general norm stating that the municipality, apart from the explicitly enumerated “shall attend to other business as established by the constitution, the law and the statute of the municipality” (Article 105, RS Constitution). This possibility was later used extensively so that there is hardly a law today in RS without obligations prescribed to municipalities.

This may seem like advancement in the decentralisation process since it mainly concerns the original competences of local units, and not entrusted affairs. Later, however, a detailed analysis will show that this is a simulated decentralisation, because the state uses its legislative and executive competences to maintain control over most municipal competences, even those classified as originally municipal and subject to no other control than the one of local self-governance bodies themselves.

*The 2005 Law on Local Self-Governance* contains the usual division of municipal competences into independent and transferred competences. Independent competences, which make up most of the affairs of the municipalities, are clearly systematised into two groups – regulatory-administrative and service. We will list them here for the purposes of comparing them with the Federal *Law*.

1. The following are listed as *regulatory activities and responsibilities of the municipality administration*:
  - adopting a development programme for the municipality;
  - adopting development, spatial, urban planning and implementation plans;
  - adopting a budget and final budget balance;
  - coordinating and securing the use of construction sites and business facilities;
  - organising the communal police;
  - inspection and control in line with the law;
  - administering and disposal of municipal property;
  - education of municipal bodies, organisation of services and their coordination;
  - carrying out land registry, land surveying and property-law affairs in line with the law;
  - collection, collection control and enforcement of the collecting of the original revenue of the municipality;
  - affairs of legal representation of the municipality;
  - ensuring the implementation of laws and other regulations.
  
2. In terms of *providing services*, the municipality will have the following competences:
  - performing specific functions in culture, education, sports, healthcare and social security, civil security, information, crafts, tourism, catering and environmental protection;
  - coordinating and securing the provision of public utilities: production and distribution of water, gas, heating, public transport, sanitation, purification and drainage of waste water, maintaining cemeteries and providing burial services, maintaining streets, roads, parks, green, recreational and other public spaces, drainage of atmospheric water and other precipitation, and sanitation of public areas;
  - founding enterprises, institutions and other organisations to provide services with their competences, determining their organisation and management;
  - coordinating and securing the construction, maintenance and use of public facilities and public utilities infrastructure for municipal purposes.

The above municipal competences may not seem impressive to someone who is not familiar with their detailed contents. The actual range of municipal competences can be grasped only when they are described in detail and when everything necessary for their implementation is presented. Only then does it become clear that municipalities – and especially urban centres with developed infrastructure

and demanding citizens – must operate with considerable financial and material resources, as well as human resources in order to implement everything the law has placed under their jurisdiction. At the same time, rural municipalities require considerable funds to develop their infrastructure and keep their population from pouring into the cities that offer higher social standards and better public services.

*The Law on Local Self-Governance* explains some municipal competences in detail, while for others it merely invokes other laws pertaining to their fields and determining municipal competences. Hence, municipal services apply hundreds of laws in their work, which speaks volumes about how complex municipalities are as social and political institutions.<sup>7</sup>

The differences between the municipalities in Republik of Srpska are immense, just as are the differences between the municipalities in the Federation of BiH. Municipalities differ in terms of size of territory, population, development, employment rate, number of large and profitable companies, number of pupils, students and citizens with university degrees, etc. Some municipalities are highly developed – they have universities, clinical centres and an exuberant cultural life, while others are neglected and underdeveloped to the point of lacking primary and secondary schools, and healthcare centres, not to mention universities, theatres and other cultural institutions. Some municipalities are located on main roads and railways, while others are remote and inaccessible: for the population of the former, the world is within reach; for the population of the latter, everything is far away. Some municipalities have developed and numerous services employing dozens of university educated professionals of all trades; others employ just a few people, and even they can hardly find something useful to do. And so on and so forth.

The constitutions and laws on local self-governance of the Federation and the RS do not take into account these immense differences between municipalities, because both BiH entities have adopted the concept of the so-called monotype municipality. This means that all municipalities have the same competences, i.e. they are to perform essentially the same activities regardless of their widely differing circumstances, and regardless of the fact that the various municipalities have various means at their disposal for the implementation of their tasks.

Common sense does not seem to see a problem in this; it assumes that

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<sup>7</sup> See the very illustrative and useful overview of external regulations used by municipalities in the Federation of BiH and Republika Srpska in their everyday activities. The overview was made as part of the Analysis of the Situation of Local Self-Governance in BiH, which is part of the Local Self-Governance Development Strategy of BiH, a project realised by EDA, a development agency from Banja Luka. The Analysis with all its appendices was published in the journal *Local Self-Governance*, Sarajevo, Vol. 5, May 2005.



municipalities will only do as much as they can with the resources they have by stretching them as far as they will go.

This may work in theory, but not in law. Namely, legal doctrine considers “jurisdiction” to be not just a right, but an obligation. Hence, municipalities cannot pick and chose which competences to implement. They must carry out whatever the constitution and the law place under their jurisdiction. Apart from that, since the constitution and legislation guarantee certain rights to citizens whose implementation must be secured by municipalities, the citizens expect to enjoy their rights fully, not partially, i.e. that the enjoyment of their rights, which is to be protected by the municipality, does not depend on the resources the municipality has at its disposal or on what the municipal administration considers to be sufficient.

Thus we reach the central problem of this analysis, which can be presented by three major questions covering its most important aspects:

- are all municipalities implementing their constitutional and legal competences?
- if so – what is their range of implementation?
- if the range does not correspond to the law and the needs of the population – why are they not fulfilling their legal obligations and how are they choosing which competences to implement and which to leave out?

Before we try to respond to the above questions, it is necessary to present some other aspects of local self-governance in BiH: this primarily entails the problem of the size of local communities, both the territorial and demographic side of this problem, as well as the issue of the level of development of local communities. Since these aspects of local self-governance do not depend on the entity where the municipality is located, these issues will be considered for both the Federation of BiH and Republic of Srpska. Also, we shall try to explain why inter-municipality cooperation is practically non-existent, and touch upon internal democracy in Bosnia-Herzegovina municipalities or more precisely the question of why decentralisation stops at the level of the municipality, why municipalities vehemently defend their competences refusing to relinquish any of them, even those they are not implementing, without considering that local communities could efficiently be included into the system of government.

## TERRITORY, POPULATION AND DEVELOPMENT

We will not deal with the issue of the ideal municipality territory – this issue has been debated for centuries among experts, and the debate is far from over. We will simply present the main problem of municipal territory size with respect to municipal competences.

### Nothing is fixed: neither the size of the territory, nor the number of competences

The number of municipalities in BiH had been constantly decreasing over the past 150 years and this trend continued up until 1995. During the Ottoman rule, the number of municipalities was enormous – it went up as far as 2000 units, because every village was a municipality. The Austro-Hungarian administration reduced the number of municipalities to about 800, and the administration of the Kingdom of Yugoslavia, to 400. In all these periods, the municipality was small both territorially and demographically, and its competences were practically symbolic. It was only with the communist regime, and its concept of the communal system where the municipality was seen as a miniature of the state, that a drastic turnabout was effected and municipalities acquired a large number of competences. According to the research from that time, municipalities devoted from 60% to 80% of their capacities to implementing transferred competences, i.e. they mainly implemented state competences. The territorial increase in the size of municipalities ensued: their number was gradually reduced to 109, with an average area of almost 500 km<sup>2</sup>. At the end of the last century, Bosnia-Herzegovina municipalities were, on average, the largest in Europe.

The macro-level change of the political system at the end of the 1980s brought about a reorganisation of social and political microstructures. The communal system was replaced by classic local self-governance, which in terms of municipal competences means a drastic reduction of their number. Municipalities were deprived of all state competences and entrusted with matters of local importance. However, by force of habit and sometimes to rid themselves of unwanted obligations, higher levels of government still delegated certain state competences to municipalities.

The reduction in the number of municipal competences was not accompanied by an appropriate reduction in the territorial size of municipalities. Hence, to this very day, Bosnia-Herzegovina municipalities have remained territorially large and with relatively large populations.

The classification of municipalities in the Bosnia-Herzegovina entities by territory size is given in Tables 1 and 2 below:

Table 1  
Municipalities in FBiH according to area

Description	Categories	Total
Municipalities of an area up to 200 km <sup>2</sup>	13 (up to 100 km <sup>2</sup> ) 14 (100 to 200 km <sup>2</sup> )	27
Municipalities of an area ranging from 200 to 500 km <sup>2</sup>	17 (200 to 300 km <sup>2</sup> ) 15 (300 to 400 km <sup>2</sup> ) 4 (400 to 500 km <sup>2</sup> )	36
Municipalities of an area exceeding 500 km <sup>2</sup>	6 (500 to 600 km <sup>2</sup> ) 0 (600 to 700 km <sup>2</sup> ) 3 (700 to 800 km <sup>2</sup> ) 0 (800 to 900 km <sup>2</sup> ) 3 (900 to 1000 km <sup>2</sup> ) 3 (larger than 1000 km <sup>2</sup> )	15

Source: Own calculations based on the data from the Federal Institute for Statistics

Table 2  
Municipalities in RS according to area

Description	Categories	Total
Municipalities of an area up to 200 km <sup>2</sup>	10 (up to 100 km <sup>2</sup> ) 10 (100 to 200 km <sup>2</sup> )	27
Municipalities of an area from 200 to 500 km <sup>2</sup>	9 (200 to 300 km <sup>2</sup> ) 7 (300 to 400 km <sup>2</sup> ) 5 (400 to 500 km <sup>2</sup> )	36
Municipalities of an area exceeding 500 km <sup>2</sup>	5 (500 to 600 km <sup>2</sup> ) 6 (600 to 700 km <sup>2</sup> ) 3 (700 to 800 km <sup>2</sup> ) 4 (800 to 900 km <sup>2</sup> ) 0 (900 to 1000 km <sup>2</sup> ) 3 (larger than 1000 km <sup>2</sup> )	15

Source: Own calculations based on the data from the Republican Institute for Statistics

Bosnia-Herzegovina local self-governance experts see the lack of territorial uniformity of local communities as a great obstacle to uniform development of each individual entity and the country as a whole. This opinion is supported by arguments pointing out the immense differences between the area of the smallest and the largest municipalities: City of Banja Luka (1,239 km<sup>2</sup>) is 120 times larger than the smallest municipality in BiH (Doboj-Jug 10 km<sup>2</sup>, Novo Sarajevo 9.9 km<sup>2</sup>) and 53 times larger than Kasindo (23 km<sup>2</sup>), the smallest municipality in RS; the area of Banja Luka is equal to the combined area of the 19 smallest Bosnia-Herzegovina municipalities, while the budget of this city is larger than the sum of the budgets of all other larger municipalities in RS.

However, pointing out the differences between extremes is not a good way to describe the actual state of affairs; reality always tends to be more like the average than like the extreme example. This means that it is necessary to determine what the average municipality in BiH is like. This task, however, is made absurd by the fact that an “average municipality” does not exist – it is a statistical abstraction, and an indispensable abstraction in seeking out the probable outcomes of development of the actually existing territorial units. The “average” municipality in Republika Srpska has an area of 400 km<sup>2</sup> and a population of 24,110; in the Federation of BiH, the “average” municipality is somewhat smaller – with an area of 331 km<sup>2</sup>, and more densely populated – its population is 29,464. If we disregard for the moment the average values and go back to our realistic indicators, we shall see that half the municipalities in BiH have an area exceeding 300 km<sup>2</sup>; in Republika Srpska these municipalities cover 85% of the territory and account for 87% of the RS population. In other words, in Republika Srpska and in BiH as a whole, medium and large municipalities are absolutely dominant.

A large municipality, however, does not mean a developed municipality. Rather, it is the other way around. Apart from Banja Luka and Mostar, all the other large municipalities in BiH can be classified among the poorest and most underdeveloped local communities (along with Foča, Nevesinje, Drvar, Glamoč, Bosanski Petrovac, Bosansko Grahovo, etc.). The large municipality in BiH is typically rural with most of the social product stemming from primary trades. As a rule, these municipalities are sparsely populated; they are located away from the main thoroughways and are of no strategic importance for the entity, which is why they are neglected by their central administrations and cantons. Their administrations are unable to resolve local developmental problems independently and do not know how to resolve them in cooperation with others. Although territorially large, these municipalities cannot even handle the competences they already have, so their population is deprived of good-quality public services.

### Small, smaller...

It has already been mentioned that the communal system in BiH stopped conglomerating municipalities once their number was reduced to 109. There are now 141 municipalities in BiH, although neither of the entities has performed an administrative and territorial reorganisation, so that even the division of the Federation of BiH into cantons took municipal boundaries as its starting point and never changed them. The tables below show that both in the Federation of BiH and RS, there appeared a considerable number of dwarf municipalities that had not existed before. What happened?

Table 3

Ten smallest municipalities in the Federation of BiH

	Municipality	Area	Population
1.	<b>Bužim (from part of Bos. Krupa Municipality)</b>	130 km <sup>2</sup>	18.300
2.	<b>Čelić (from part of Lopare Municipality)</b>	136 km <sup>2</sup>	15.396
3.	<b>Doboj-Istok (from part of Doboj Municipality)</b>		10.623
4.	<b>Doboj-Jug (from part of Doboj Municipality)</b>	10 km <sup>2</sup>	4.809
5.	<b>Dobretići (from part of Skender Vakuf Municipality)</b>	59 km <sup>2</sup>	3.243
6.	<b>Domaljevac-Šamac (from part of Bos. Šamac Municipality)</b>	44 km <sup>2</sup>	5.008
7.	<b>Ravno (from part of Trebinje Municipality)</b>	331 km <sup>2</sup>	1.854
8.	<b>Sapna (from part of Zvornik Municipality)</b>	121 km <sup>2</sup>	14.370
9.	<b>Teočak (from parts of the Ugljevik and Lopare Municipalities)</b>	28 km <sup>2</sup>	7.045
10.	<b>Usora (from parts of the Tešanj and Doboj Municipalities)</b>	50 km <sup>2</sup>	7.107
	<b>TOTAL</b>	<b>943 km<sup>2</sup></b>	<b>87.755</b>

Source: Federal Institute of Statistics

Table 4  
Ten smallest municipalities in Republika Srpska

	Municipality	Area	Population
1.	<b>Jezero (from part of Jajce Municipality)</b>	65 km <sup>2</sup>	1.306
2.	<b>Kupres (from part of Kupres Municipality)</b>	45 km <sup>2</sup>	478
3.	<b>Osmaci (from part of Kalesija Municipality)</b>	95 km <sup>2</sup>	4.773
4.	<b>Istočna Ilidža (from part of Ilidža Municipality)</b>	23 km <sup>2</sup>	16.665
5.	<b>Istočni Drvar (from part of Drvar Municipality)</b>	84 km <sup>2</sup>	60
6.	<b>Istočni Mostar (from part of Mostar Municipality)</b>	87 km <sup>2</sup>	786
7.	<b>Stari Grad (from part of Stari Grad Municipality)</b>	90 km <sup>2</sup>	3.168
8.	<b>Lukavica (from part of Novo Sarajevo Municipality)</b>	44 km <sup>2</sup>	9.089
9.	<b>Donji Žabar (from part of Orašje Municipality)</b>	49 km <sup>2</sup>	2.894
10.	<b>Vukosavlje (from part of Odžak Municipality)</b>	94 km <sup>2</sup>	5.420
	TOTAL	676 km <sup>2</sup>	44.639

This is another political situation specific to BiH. Namely, when in 1995 in accordance with the then signed *Dayton Peace Agreement*, which ended the war in BiH, the inter-entity boundary line was drawn, there were only two concerns: to satisfy the previously agreed on 51:49 ratio of territorial distribution, and to create ethnically compact political and territorial communities. Since the demarcating of the inter-entity boundary did not take into account municipality boundaries, the *Dayton Agreement* completely disrupted their distribution: small parts of some municipalities were cut off to remain in the other entity; since for the most part municipalities remained unchanged, i.e. as huge as they had been before, what happened was that each entity now contains about a dozen or so dwarf municipalities that are also the poorest municipalities in BiH. As a rule, the material and human resources remained in the urban centres of municipalities, while the remains, allocated to the other entity, was either bare land with no value, or the

potential riches required high investments that the new impoverished municipality could not sustain.

The budgets of the ten smallest municipalities in Republika Srpska, when summed up amount to the budget of an average municipality in terms of both area and population. The total population of the ten smallest municipalities in RS is some 45,000 people. The figures for the ten smallest municipalities in the Federation of BiH are similar. In other words, the twenty smallest municipalities in BiH take up only 3% of the total territory of BiH, while their population accounts for some 3% of the total population of the country.

Small municipalities are not only territorially and demographically small; they are also small in terms of social product, as well as human and administrative capacities. The way things are at the moment, few if any of these municipalities have a realistic chance of developing a local community that could win the loyalty of its population and attract new residents by completely satisfying their needs in terms of public services, creating a business-friendly environment, and generally being a pleasant place to live.

Entity authorities exhibit no intention of abolishing these miniature municipalities and merging them with neighbouring developed local units. In fact, every time such an intent was expressed, motivated by reasons of administrative rationality, it came across strong resistance on the part of local municipal elites who desire to retain their mini fiefdoms at any cost as they vegetate relying on entity aid, failing to provide their residents with even the minimum of services expected from local authorities; all the while, however, the local elites have made quite a comfortable life for themselves in these municipalities. As a matter of fact, the local administrative elite often do not live in the municipalities where they are employed and, therefore, do not experience all the hardships of provincial life.

From a theoretical standpoint, the question of abolishment or survival of these municipalities is not posed only as an issue of economic profitability and administrative rationality, but also as an issue of the way to bring these municipalities to the level of self-sustainable development. If we take into account only the economic and administrative reasons, all the arguments are in favour of abolishing the smallest municipalities. From the development viewpoint, this simple solution can be contested by at least two arguments:

- a) the first argument is that if merged with larger municipalities, these small municipalities will nevertheless remain neglected and underdeveloped since they will be joining the larger municipality not as an equal partner, but as a “poor relation” who never gets equal treatment at the family table;

- b) the second argument is socio-psychological: if they remain independent, small municipalities may yet, according to the logic that increased social activity materialises over time into developmental effects, escape the vicious circle of underdevelopment; the elementary precondition for this is the existence of formal institutional structures, i.e. the municipal organisation and its mechanisms.

When a small municipality is merged with a larger one, it loses its institutional basis for development, while the larger municipalities gain nothing that would strengthen its developmental possibilities. The former certainly loses hope and perspective, while the latter acquires more hungry mouths to feed from its already meagre resources.

The weakness of this second argument is in its uncertainty. There is no guarantee that things will develop in the described way since development, including municipal development, is such a complex process that its outcomes are uncertain and unpredictable, and the existence of an institutional structure is only one of the necessary preconditions for development.

## WHAT MUNICIPALITIES DO AND DON'T DO?

As mentioned before, local self-governance legislation does not distinguish between municipalities in terms of their competences, regardless of the size and economic power of the municipality, the degree of urbanisation, or any other important feature. The truth be told, entity laws on local self-governance make a distinction between municipalities and cities, but still accord them the same competences, so that in essence, there is just one concept – the concept of the municipality as a local community where local self-governance takes place. Local self-governance, at least in normative terms, is a very diverse concept. In its application, the European Union insists on implementing gradual, but increasing decentralisation. As we have seen, both BiH entities are highly centralised, except that in Republika Srpska these tendencies stem from the central entity administration, while in the Federation of BiH there is pronounced centralism on the cantonal level. In both entities, municipalities have almost identical or very similar competences, as can be seen from the overview at the end of this text.

The implementation of municipal competences is they regulatory or service-related, requires considerable funds and trained professional services. Certainly, the range of competences is not the same in all municipalities and depends on local circumstances. It has been pointed out that municipalities should carry out all competences prescribed by law and that they cannot pick and choose



what to implement. This should never be taken literally – municipalities will not implement the competences that are uncalled for, but legal standards are there to indicate when the need for the activation of municipal competences arises. Therefore, a municipality cannot suspend a public service that is needed when the money in the budget runs out – although this is precisely what happens in most Bosnia-Herzegovina regions. Also, a municipality cannot perform competences according to the standard dictated by the means at its disposal, but must adhere to the legally prescribed standard.

It is very difficult to quantify how many municipalities adhere strictly to the law in fulfilling their competences. After talking with some mayors, our general impression was that most municipalities, actually the great majority of them, adapt their operations to the means at their disposal and the situation “in the field.” Thus, it happens that even the richest and most developed municipalities fail to meet all the legal standards in providing certain services, while the poorest and most underdeveloped fail to provide these services entirely. And so it has been for decades: municipalities have long established a type of tacit agreement with competent state inspection bodies who turn a blind eye to certain regulation violations, since the municipalities are objectively unable to meet the high standards prescribed by law. Everyone becomes alarmed only when due to the absence or dysfunction of some services, an accident occurs, or an environmental incident on a larger scale, or when the citizens’ dissatisfaction becomes impossible to conceal.

At first glance it may seem that poverty and the lack of budget funds are the only reasons why municipalities do not perform their competences as prescribed by law. Indeed, failing to implement competences really is related to the economic failure of municipalities. In our study, we have found that economically successful, rich and developed municipalities perform their competences to a higher degree in comparison to economically unsuccessful municipalities that usually neglect their obligations towards their citizens. However, economic factors are not the only reason why municipal competences are not implemented. In fact, it could be said that both economic failure and failure to implement competences are merely the consequences whose causes could be systematised in the following manner, noting that the order does not necessarily speak of the importance of the following factors:

- lack of demand for certain services;
- lack of funds to meet the needs when there is a demand for certain services;
- economy of scale – the demand exists, but is so meagre that the service would be very expensive, regardless of who pays for it;
- non-enterprising leadership;
- disadvantageous social and political “climate” in the municipality;

- lack of support from higher-level administrations;
- low percentage of university degree holders within the municipality population;
- manner of recruiting the administrative elite;
- inability to cooperate with neighbouring municipalities;
- low-quality local administration.

As can be seen, apart from economic factors, this list contains some rather intangible explanations for the economic failure of Bosnia-Herzegovina municipalities and their consequent failure to implement their legally prescribed competences. This was done because purely economic factors cannot fully explain phenomena such as decades spent at very low development rates, nor can a normative analysis explain how it is possible for municipalities to violate legal regulations en masse by not implementing their competences, while the state turns a blind eye. The problem is probably in the entire political and economic framework that does not encourage entrepreneurship and cooperation, does not award successfulness and creativity, and does not sanction autocracy and violations of the law.

The most tangible reason why municipalities are selective when it comes to performing their competences is a chronic lack of funds in municipality budgets. This is due to the manner of financing local self-governance, which is still not based on the sources of the local units themselves, but rather on the division of certain revenues with the state. The manner of distribution of these revenues is authoritatively determined by the state, which takes the lion's share, leaving the remains to the municipalities.

However, the manner of determining this ratio is not the reason why we point out the modes of financing local self-governance, but rather the fact that a realistic estimate of the cost of certain services provided by local communities has never been made. This would be the logical way to arrive at the amounts needed by local communities to function normally, and an appropriate ratio of dividing funds with the state could be found accordingly, or local units could be granted sources ample enough to meet their needs. The current manner of financing, being absolutely inadequate and unjust towards the great majority of municipalities, pours enormous funds into some local units – primarily entity and cantonal centres with the seats of profitable companies, which enables these cities/municipalities to have oversized budgets, to support a large administration, to pay municipal council members more than they deserve for their work – in short, to have budgets they do not know how to properly spend.

## INTER-MUNICIPALITY COOPERATION

One of the most noticeable characteristics of the local self-governance system in BiH is the considerable orientation of local units towards the middle level of state organisation: the entity authorities in RS, and the cantons in FBiH. This is not unusual in a wider context, because in every country local units have intensive communication with administrative centres, or the state capital. After all, this is where the most important state, economic and cultural institutions are located, with which the municipalities exchange information, from which they request and to which they submit data, with which they cooperate, dispute and even go to court. In centralised political systems, the state has a monopoly over a lot of the information and activities, which links all the parts of the system to the state centre and makes them dependent on this centre.

Traditionally, for centuries now, the political system in BiH has been constructed in the manner of a strict and thorough centralisation, so the centralist tendencies of today can partly be ascribed to this historically acquired predisposition. Although the system was radically decentralised by the *Dayton Agreement*, centralism remained rooted at the key points of the system. These key points are the entities and cantons that were accorded many central functions and a dominant position in relation to local units by the constitution.

Centralism is a concept that is not manifested in BiH only politically, but above all economically and financially. This is common in impoverished and developing countries. There, local communities greatly depend on the assistance of the state, which is why they subordinate all other relations to their relation with the state. The other relations established by the municipality are with its citizens and with other municipalities. Since relations with citizens cannot be reduced beyond a certain logical and functional point, the municipality – being limited in terms of human and material resources – will seek to reduce all other expenditure. Ways to save money will, thus, primarily be sought through autarchy and by cutting off communications with other municipalities. The municipality finds it simplest to maximise its relations with the state by reinforcing its position within the centralised system. Most municipalities opt for this course of action, which can also be determined with statistical precision: if we measure the rate at which mayors visit the capital and certain ministries, if we document the mayors' telephone conversations with ministers and government officials, and if we generally quantify the mayors' communication with the state in comparison with his/her communication with other "surroundings." We have not had the opportunity

to perform such detailed measurements, but in talking with mayors we were led to believe that they devote a considerable part of their time to maintaining official and personal contacts with the state, state bodies and officials.<sup>8</sup> Under such circumstances, inter-municipality cooperation is the exception, not the rule, although the laws on local self-governance in RS and FBiH contain norms enabling municipalities to connect with other municipalities for the purposes of better implementing local competences.

The truth be told, there are examples of functional linking that testify to the fact that cooperation can occur when there is a concrete interest for it. It is most often established for the purposes of water supply. Namely, some municipalities in BiH do not have their own water systems, so they latch onto the water systems of neighbouring municipalities that possess better water sources, and a better distribution and higher flow rates in their water system. Unfortunately, these are only sporadic cases, since most municipalities insist on constructing a local water supply system, which is ultimately reduced to only a city distribution grid, while rural settlements must depend on reservoirs and water of dubious quality.

There is practically no municipal cooperation in the very important area of environmental preservation, in regulating waste water management and developing a sewage network. A considerable number of municipalities lack a sewage system, and if a system exists, it is usually technologically outdated, so that it lets out wastewater into the nearest rivers without purification – the same rivers where downstream other municipalities build drinking water treatment facilities. Thus, most Bosnia-Herzegovina rivers have been turned into sewage collectors, and since local water supply systems are fed by these rivers, the situation is quickly becoming alarming; especially in light of the following facts: an unknown number of companies (unknown because of the lack of precise data, and we write this on the basis of sporadic reports by the public media) dump their waste waters directly into rivers without previous purification, and a considerable amount of slaughterhouse waste also ends up in rivers and streams. A minimum of cooperation between municipalities in the realm of public utilities would quickly result in a cleaner, healthier and more beautiful environment.

The recent example of initiating the establishment of a network of regional landfills, which will at least be sanitary even if they do not manage to completely recycle

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<sup>8</sup> By all accounts, mayors devote most of their energy to internal municipality, inter-party and intra-party struggles for power and prestige, a matter that we will not go into on this occasion. Suffice to say, efforts to strengthen the capacities of the municipality as a whole and to improve the quality of services it offers citizens are only in the third or fourth place on most mayors' lists of priorities.

the collected waste materials, is proof that cooperation is possible. However, for social research even such good news can seem bad because this cooperation was established through the mediation of the state, and not through direct agreements between municipalities. This remark may sound like malicious nitpicking, but that is not how it is intended. Voluntary cooperation has many advantages over imposed cooperation and can sustain greater efforts. Apart from that, a higher degree of readiness for voluntary cooperation in one area is almost automatically spread to other areas, while dictated cooperation is limited to a single area and expanded to include other areas only if the state decides to encourage cooperation elsewhere.

## DECENTRALISATION ONLY AS FAR AS THE MUNICIPAL LEVEL! WHAT ABOUT BELOW THAT?

Many mayors protest entity-cantonal centralisation believing it to be an obstacle to the development of municipalities, especially the more developed ones and the ones eager for development. Impoverished and underdeveloped municipalities that are completely dependent on state assistance usually do not protest their position; even when they want more, they want to receive it from the state budget, because they see no other source of funding.

It is interesting that – while on the one hand they protest their own imprisonment in hierarchical networks – these same mayors exhibit an equal degree of centralism towards institutions within their own municipalities. This is primarily true of their relationship towards local communities.

In FBiH, local communities are required by law, while in RS it is left up to the municipalities to decide whether they need local communities or not. These two legislative solutions reflect a different understanding of local self-governance and a different relation towards local communities. It could be said that the legislator who desires to develop local democracy and involve citizens in creating local policies will incorporate local communities into the very institutional structure of the municipalities; while for the legislator who sees local self-governance as the immaculate functioning of local authorities without the direct participation of

citizens, local communities are not necessarily needed to make the system work. Despite the different legislative solutions, local communities exist in the majority of municipalities, probably because in the previous socialist period they proved to be useful and vital institutions that the people have become accustomed to, which would make their abolishment highly unpopular.

Local communities perform very useful activities for the municipality. These are primarily activities of mobilising the local population for various local purposes and caring for socially marginalised individuals and groups, in brief, it pertains to the organisation of what is known today as civil society. Still, as a rule, local communities do not receive appropriate financial and professional assistance from central municipality bodies. Centralism exists on the level of the municipality as much as on higher levels of government. A typical example of this thesis is the behaviour of authorities in cases of granting concessions. Municipal authorities complain that the entities and the government do not consult them when granting concessions; when they are involved in this process, municipal authorities almost always forget to include local communities. Evidently, municipal centralism is not just a matter of good or bad normative solutions, but also a matter of political culture and the level of implementation of democratic procedures. Mere legislative norms are not enough to convince municipal administrations and mayors to cooperate with local communities where they are active, or to encourage local community self-governance where they are not.

Municipal administrations complain that local communities sometimes hamper the realisation of local plans. This really does happen and it is relatively easy to explain. Namely, municipal administrations are prone to conducting their activities without previously consulting the citizens and the local communities. This is because the administrations always believe they are working in the best interests of the citizens, i.e. that they are doing good work without consulting the citizens, because after all they are in charge of the public interest, and citizens have their own private interests. However, people like to be consulted and expect their opinions to count, which makes them react with resistance, abstinence, and civil disobedience when they are circumvented in democratic procedures. Statistics show that there are fewer local referendums, citizens' assemblies are rarely convened, and public debates are attended by only symbolic numbers of citizens. Municipal authorities actually communicate very little with citizens, and the citizens respond with distrust. The key piece of evidence in support of this claim is the decreasing turnout rate for local elections.

Local communities are very helpful and socially useful institutions, and it would be logical to expect the municipal administration to include them in their activities, but not as chore doers, but rather as equal partners. Currently, the main obstacle to their wider and more extensive involvement, apart from the lack of financial resources and the disinclination of the local administration to cooperate with local communities, is the very frequent inertness of local community councils, their preoccupation with base and primitive power struggles, partisanship and party exclusivity.

## IS IT TOO EARLY FOR A CONCLUSION?

Local self-governance reform in BiH is not at its very beginning, but it is certainly far from complete. Therefore, nothing is as yet conclusive or definite about this area. The greatest shortcoming of the reform process so far is that reforms were almost exclusively implemented in the normative sphere, by fixing old and passing new regulations, so the greatest results were achieved there: we can say without reservation that BiH possesses a solid legislative basis for local self-governance, but a desperately poor local self-governance. However, even though one should never expect too much from legislation, as sound as it may be, this is one of the rare favourable circumstances available to all social stakeholders in the difficult transition during which local self-governance is to be changed along with the entire social structure.








Dr Zdravko ZLOKAPA

# COMPARATIVE OVERVIEW OF LOCAL SELF-GOVERNANCE

– Denmark, Slovenia, Croatia, Macedonia, BiH –



The previous chapters present five cases of local self-governance in European countries. As the reader is no doubt aware, the choice of countries was not arbitrary. Slovenia, Croatia, Macedonia and Bosnia and Herzegovina have long existed within a common state and were oriented towards the construction of the same model of local self-governance. Now, after the collapse of the common state and legal framework, their systems of local self-governance differ so much that it is hard to believe they functioned on the same principles for half a century. As for Denmark, a constitutional monarchy in North Europe, it was included in the research because it is a typical example of a stable and open society where the pragmatic approach effected an impressively functional reform of local self-governance over time. Although the European Union contains local self-governance systems significantly different from the Scandinavian model, this particular model seemed interesting to us because of the reforms it underwent and the final effect of those reforms. Apart from that, other Scandinavian countries apply a similar model, which brings up the possibility of its spreading beyond this region, as was the case with some other social innovations.<sup>1</sup> The reform of the local self-governance system was initiated recently in BiH. This reform is

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<sup>1</sup> It should be noted that the concept of the welfare state originates from Scandinavia where it is most strongly advocated. Even the reform of local self-governance can be seen as contributing to the efforts of these countries to maintain this concept as it comes under direct criticism by British and American conservatives.

only starting out, so it is useful to consider how others have done it – “others” in this case are countries from the immediate vicinity with similar and common traits, as well as countries from the EU – a community of countries BiH hopes to join.

## MORE OR LESS COMPETENCES – DEPENDS ON WHAT?

Political sciences have long realised that public services are provided with better quality when they are dispensed by the level of government closest to the citizens. As a rule, the local government does this, which does not mean that local governments can provide equal quality in all types of services. In order to maintain quality, some types of public competences and services require territories larger than municipalities, or have to pertain to a large number of people in order to be economically justifiable, etc. That is why government is organised on a number of levels, each of which is in charge of servicing a group of social needs, i.e. providing citizens and companies certain types of services.

Still, the distribution of competences among various levels of government is not always functional or logical, it does not meet the demands of economic rationality and efficiency management, it is often arbitrary and does not cater to the citizens. This happens mostly because the distribution of competences is not carried out only according to the criteria of objective scientific analysis and with the interests of the services’ users in mind. Political institutions conducting the distribution of competences are not neutral and apart from taking into account the interests of the citizens and public interest (which may be different from individual interests of members of that public) also take into account their own interests (which may differ from all other interests “at stake”). Under the influence of all these factors, the distribution of competences is often done in such a way as to elicit surprise and dissatisfaction on the part of the citizens.<sup>2</sup>

Still, over the last fifty years, the customary political practice in most countries has come to ascribe a similar set of competences to the lowest level of government – as a rule, the municipalities. These are mostly affairs of local character and importance, affairs concerning frequent needs of citizens and companies, i.e. affairs whose absence would impair the everyday life of people and the business of numerous organisations. It has already been said that there are no explicit

<sup>2</sup> The best illustration of this is the fact that in Bosnia and Herzegovina, only 1.8% of the citizens believes that decisions of local governments reflect their priorities. Data from the research conducted by Prism Research for the World Bank: Social Responsibility Capacity Building Programme – Social Audit on Local Governance, March 2007.

affairs or competences “naturally” belonging to a certain level of government. The distribution of competences is a matter of convention, currently dominant expert opinions and certainly a matter of the ration of political forces deciding on the responsibilities of various levels of government.

Still, the distribution of competences is not entirely arbitrary. Although the legislators of each country have the authority to divide competences among levels of government at their own discretion and are, in principle, unrestricted in this respect, some restrictions are nevertheless imposed and taken into account by the legislators, if they decide to be reasonable. As far as the local level is concerned, the limiting factors include the territorial and demographic size of the municipality and its economic and administrative capacities. Namely, every new distribution of competences is essentially a redistribution because it starts from a pre-existing state of affairs. The legislator does not habitually redefine local communities, but assigns or takes competences away from already existing and defined municipalities. A different approach is, of course, possible – one that would entail first defining what the lowest level of government would be responsible for and what competences it would have, and then, according to the range of these competences, determining the size of local units, their territories, economic and administrative capacities. In fact, the distribution of competences and the determination of the size of the municipality is mostly done simultaneously because if the legislator opts for large and strong municipalities, that suggests that they will be assigned a large number of competences, while small and weak municipalities are given a small number of competences. That is why the law on administrative and territorial structure and the law on local self-governance are passed as a “package deal” so that the solutions they contain can be harmonised.<sup>3</sup>

As far as the countries from our sample are concerned, all of them, apart from Bosnia and Herzegovina have altered the territories of their local units and adapted their range of competences to these changes. Since in Slovenia and Croatia they opted for a concept of very small local units, they could not assign those many responsibilities. In these countries, the municipalities mainly deal with public utilities problems and purely local matters, while more demanding affairs are left to the state, the middle level of government when applicable, or are carried out jointly by municipalities and higher levels of government. Actually, although the list of their competences seems imposing at first glance, a close analysis brings us to the conclusion that municipalities, even when performing their so-called original competences, are reduced to mere executors, since the state makes sure

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<sup>3</sup> The Sociology of Settlements maintains the opinion that people are very attached to their area of residence and discourages frequent changes of municipal borders. If such reforms are necessary, however, a careful and gradual approach is recommended along with involving citizens in the creation of new municipalities. It was precisely for these reasons that the UK put off its local self-governance system reform for so long; in Sweden the reforms went on for half a century, and were also quite extensive in Denmark.

that a special law regulates municipal competences in detail, determines their standards and even sets penalties, which leaves municipalities very little room for creativity and expressing local specificities. In Macedonia, the quest for optimal municipality size and appropriate competences has led to experiments with both small and large municipalities and leading to the current number of medium municipalities with a greater number of competences. Denmark opted for a radical increase in the size of its municipalities and assigned them a wide range of competences: apart from public utilities services, Danish municipalities also have competences in healthcare, education, social welfare, etc. As mentioned before, the territories of municipalities were not changed in Bosnia and Herzegovina. As for their competences, in the Federation of BiH they were significantly reduced because a portion of responsibilities previously assigned to municipalities was transferred to the cantonal level, resulting in a paradoxical administrative situation: the Federation contains large and highly populated municipalities whose main responsibilities consist of resolving social problems, sanitary work and burial services. In Republic of Srpska, municipalities have a larger number of original competences, but just like in Slovenia and Croatia, their independence in implementing these competences is illusive since special laws regulate what the municipality does in detail.

The debate on the advantages and disadvantages of small or large municipalities, municipalities with fewer or more competences has been going on in local self-governance circles for centuries, and there is no end in sight since new proponents of each option are constantly cropping up. Our sample presents three options: small municipalities with few competences (Slovenia, Croatia, partly Macedonia), large municipalities with more competences (Denmark, partly RS), and a large municipality with few competences (Federation of BiH). The most functional combination will probably not depend only on the relation of these two factors that we are dealing with, but on many factors and their specific interrelations.

## TERRITORY AND LOCAL SELF-GOVERNANCE

The observed systems of local self-governance are different on many accounts, including their relation to territory. While Slovenia and Croatia have been persevering for the past ten years in fragmenting territories and reducing municipal areas, an opposite trend has been characteristic of Denmark: for a number of decades, this country has been systematically reforming its local self-governance and assigning it more competences, which entailed creating territorially larger and demographically stronger units. Macedonian trends are closer to those in Slovenia and Croatia, although the fragmentation of municipalities has not been

done to such a drastic extent as in the latter two countries. As for Bosnia and Herzegovina, the number of municipalities has increased, but not as a result of spatial planning and its adaptation to the development of local self-governance. Instead, it is the consequence of the reckless and irresponsible drawing of the inter-entity line with no respect for the municipality structure, so that municipality territories were cut up illogically and awkwardly – parts were cut off and constituted as new local self-governance units, even though from the very start they had no chance of survival.

For all the countries from the sample apart from Bosnia and Herzegovina, it could be said that they are dynamically restructuring their territory. In the case of Denmark, we see a conscious effort to find the optimal size of municipal territory; it could even be said that this is an evident case of social engineering at work. The starting point in Denmark was a model dominated by competences, which required a certain territory, i.e. the starting points were social functions that led the search for an optimal territorial framework. In other words, the search was for territorial units that would facilitate the best, most economical and most optimal performance of certain social and political competences. Since the existing municipalities were spatially, economically, demographically and administratively too small, they needed to be altered. Although the administrative division of the country falls under the jurisdiction of central state bodies, which could have drawn up the new municipality map hastily, the distribution of territory was done gradually and relatively slowly, and included respecting all the details of democratic procedure in order to make sure no one was damaged in the territorial restructuring of the country.

The Macedonian planners were also “on a quest”. This can be seen from two territorial structures – the first consisting of very small municipalities, and the second of larger local units. It seems that this case, apart from reasons of economic rationality, required a developed sense of political pragmatism and even elicited and occasional yielding to politics. Namely, there were instances of very complex and sometimes very strained relations between ethnic communities in Macedonia. The territorial division was done by the state government with protests on the part of the citizens, which leads us to reconsider its durability and public acceptability. In any case, the impression is of a strictly controlled process where politicians knew how to set goals, and planners knew how to achieve them.

Local self-governance reforms in Slovenia and Croatia, especially territorial segment reforms, were led by the same principles and produced similar results. A common outcome is that in both cases, the system is based on very small territorial units. This led to a large number of local units – over 200 in Slovenia, and over 400 in Croatia, whose humble economic and administrative capacities

allow them to take on only a small number of competences. In Croatia, the functioning of such a large number of municipalities was mediated by the existence of cities as a special form of self-governance units and introducing a mid-level of government, which does not belong to self-governance, but to aid coordination and carries out some administrative competences. There is no middle level in Slovenia and municipalities are oriented towards a common administrative state centre and mutual cooperation.

This fragmentation of the territorial system into a large number of local self-governance units can have entirely rational arguments: it is logical to favour small territorial communities in order to develop direct democracy, close relations between people, a high degree of internal group solidarity and identification with the local community, etc. According to some, genuine democracy can only truly work in small communities, which is why local self-governance is called the “primary school of democracy”.

However, dividing the state territory into a large number of territorially, economically and demographically small units also have its disadvantages. Such communities soon reach their developmental limits, because their small economic capacities make them incapable of larger endeavours; many of these units must rely on the state, which burdens the state and makes the units dependent; small communities are more susceptible to informal influences of extra-institutional power – it is realistic to expect that miniature municipalities will eventually be ruled by well-organised cliques or party branch offices that will support all local activities in their interest; a large number of small municipalities make each municipality and all municipalities powerless in comparison with the state; its strong and centralised administrative apparatus cannot be countered by their own organisation so lacking in efficiency.

In this group of countries dynamically changing their territorial organisations, Bosnia and Herzegovina is a specific case. The territory of certain municipalities was changed by the peace agreement quite arbitrarily, and since then there has been no practical suggestion concerning the territorial transformation of local self-governance from the political level. The municipalities, although large and amply populated as a rule, act as small social collectives – they are autarchic, closed and averse to cooperation. Mostly impoverished and economically marginalised, municipalities are not essentially threatened by this temporary involution. A much greater threat, it seems, comes from their own leaderships, which are mostly provincial and autistic, guided in many cases solely by their personal interests. The greatest threat for municipalities, however, are entity administrations, forever entangled in political squabbles about the restructuring of their common state framework and completely neglecting development or supporting

it for political interests. There is no strategic document devoted to the development of local self-governance on the state or entity level, and any mention of territorial restructuring acquires burdensome political and national connotations. Non-governmental organisations are the only ones truly concerned with the development of local self-governance, but they lack the actual authority to effect essential changes.

## LOCAL ELECTIONS AND THE STRUCTURE OF LOCAL GOVERNMENT BODIES

Despite great differences between the countries in the sample (rich – poor, old liberal democracies – post-socialist countries in transition, developed – moderately developed – underdeveloped, peaceful and prosperous countries – countries of conflict, etc.), they have adopted some very similar solutions in their systems of local self-governance. It seems that the greatest similarity lies in the manner of electing municipal councillors and mayors.

Elections for mayors in all the surveyed countries are direct, which is in line with the European trend. In contrast to the other countries in the sample, BiH has a high rate of deposing mayors, which in the RS immediately caused a reaction in the form of a suggestion to make the deposition procedure for top-level municipal officials more difficult. The way of electing municipal parliaments also seems to be unified, because all countries have adopted proportional elections for local representative bodies (in Slovenia, only municipal assemblies with a small number of representatives are chosen according to the majority principle). The municipal mayor and assembly are mandatory in all municipalities, but some countries also feature supervisory boards. It is interesting that in RS, the appointment of a municipal supervisory board is merely a legal possibility and not an obligation so that only a few municipalities have incorporated this element into their statutes. Even in cases where there was a supervisory board, it did not react to the irregularities in the work of municipal bodies, not even when these were pointed out by the citizens and the media, or when the municipal mayor was tried for abusing the position of authority.



As can be seen from the previous chapters, the institutional structure of local communities is very similar in all five sample countries. Despite that, these communities function in completely different ways, their development dynamics are different, it seems they set different goals, and accordingly take different paths to reach them. The claim that an identical institutional structure can function in completely different ways in different environments seems surprising only to laymen. Various intangible and immeasurable social and cultural circumstances can completely change the functioning of identical political institutions. Therefore, the mere adoption of bare institutional democratic forms as intensively carried out by countries in transition, may be necessary, but it is certainly not a sufficient precondition for a democracy to develop in such a country. Transition from autocracy to democracy is not a simple “change of apparel” of institutions, as can best be seen precisely on the local level. In other words, institutions that is undoubtedly necessary for the functioning of a democracy must have additional support in transition countries in order to produce results. Speaking in mechanical terms, the mechanisms that work quite normally in developed democracies using “regular petrol” require “super” in transition countries in order to start up at all.

This additional energy is scarce and cannot be provided by local democracies. Citizens show little to no interest for local public affairs in those countries precisely where this interest seems to be most essential. Voter turnout for local elections is in constant decline, except in Denmark and partly in Slovenia. Abstention in certain Croatian municipalities amounts to more than two thirds of the voters, and the situation is not much better in BiH. Citizens express a priori distrust of all candidates, and public opinion polls show that the worst characteristics are ascribed to public personalities, both those in state and local government bodies: corruption, sordidness, dishonesty, even serious criminality. Although laws provide for various forms of direct civic participation in public affairs, all these possibilities are underused, so it could be said that local politics are conducted in closed circles of the local elite and top-level municipal administration. Lacking supervision and stimulated by the general atmosphere where honesty is not valued, those who did not “use their chance” are judged instead and politics are reduced to a profitable occupation with no moral restrictions.

On the other hand, winning citizens over for a public cause and re-establishing their trust in politics can be done only by those who embody politics – local politicians and administrators, through their honest work and results contributing to the better life of citizens. It is strikingly evident that local elites from underdeveloped countries have much to learn from similar social groups in developed countries.

## LOCAL FINANCES AND PUBLIC FUNDS SPENDING

At first glance it may seem that the main reason for the poor functioning of local self-governance is insufficient funds available to local communities. Indeed, in underdeveloped and impoverished countries, local self-governance units are allocated a smaller portion of public funds in comparison to the portion retained by the state. Our sample shows a drastic difference in this respect between Denmark and the other countries. In Denmark, 32% of GDP is allocated for local self-governance, while in Slovenia that percentage is 5.06; in Croatia 5.16% of GDP is allocated for local self-governance, in Macedonia it is 1.7% and in BiH, 3.5%.<sup>4</sup> All the while, as we have seen, the competences of local units do not greatly differ in terms of their number and complexity. In view of the smaller amount of funds at their disposal, it is logical that local units in poorer countries will meet the needs of their citizens to a lesser degree than such units in richer countries. However, the same tendency of under-funding local communities and local spending can be seen in certain rich and developed countries. It could be said that the state simply cannot resist keeping the greater portion of public funds and allocating them where it sees fit. There is no cure for this apart from making local funds independent from the will of the state, as was precisely done in the countries with highly developed local self-governance.

However, underdeveloped countries, which include the underdevelopment of both the economy and democracy, apart from low levels of public spending on the local level, often have another problem. Namely, the undue and inappropriate squandering of their impoverished revenues, bad ownership of their humble assets, spending public money without visible results or in ways contrary to public interest.

We have already mentioned how local communities can fall into the hands of bad administrations; sometimes, the local leadership intentionally directs funds to specific private companies, overpays for services provided by private companies, fixes public procurement procedures in the favour of objectively undeserving companies, which is all a classic case of abuse of authority and essentially, a crime. But bad administration also means incompetent administration, i.e. the kind of

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<sup>4</sup> Relative relations should be noted. It may seem that the difference between Slovenia and BiH is not significant because Slovenia allocates 5% and BiH allocates 3.5%. However, that difference becomes much greater in view of the fact that Slovenia's GDP is almost double that of BiH.

administration that is not up to the task of managing poor and underdeveloped local communities, a municipality in profound and chronic crisis – such as the majority of our municipalities. Crisis management is a particular skill that requires specific knowledge and a fair bit of talent. However, most municipal mayors and their closest associates find themselves in these positions for the first time and are only just learning the trade. A municipality burdened not only by a bad economic situation but by such a staffing mishap of incompetent managers or administrations who are not devoted to public causes has no chance of improving its position. Rapid changes of circumstances of all enterprises and political institutions in transition countries require rapid and adequate responses, and above all the readiness to work hard and learn quickly. Administration of local communities in countries that have been through a war and have still not forgotten decades of authoritarian drills is quite a different matter than doing the same in “normal” countries with a democratic and peaceful past. Quite a few elected officials see their appointments as rewards for political favours to their party and use their mandates as opportunities to slack off, get rich or enjoy irresponsible spending of public funds. Those who are serious about their jobs will mobilise other forces in the community in the interest of development and general progress.

But even political leaderships devoted to public interests encounter numerous non-economic problems that are often much more difficult than the purely financial or material ones. Primarily, these concern the administrative apparatus in the local communities of transition countries that is insufficiently educated and skilled for the jobs it is assigned. The age structure of local officials is also quite unfavourable – the majority are middle-aged officials and those approaching retirement, which is certainly not a good precondition for implementing reforms, introducing new methods of work and new ways of addressing citizens. Bosnia and Herzegovina and Macedonia are in a particularly difficult position because these are countries with very underdeveloped peripheries lacking communication infrastructure, where the process of migration from rural to urban areas is still thriving and where, despite the general poverty, life in the city offers some possibilities of employment and social advancement. In such countries, every urban area, and especially the capital, becomes a magnet for top-level professionals, which exhausts the labour potential of the rest of the country and incites animosities towards cities.

Another unfavourable circumstance is the long-standing and commonplace relationship between the administration and the citizens in transition countries.

Without oversimplifying, it could be said that this relationship is worse if the country and local community are less developed. As we have seen from the case study of Denmark, the citizens in that country are satisfied with the quality of services they get from their municipalities because in most cases, they get exactly what they expect and sometimes more, better and quicker. The logical outcome is a feeling of trust in the local administration and the emergence of so-called local patriotism. Although transition countries still have not introduced systematic and permanent monitoring of the satisfaction of users of services (which is another indication of how much service providers, be they companies or municipalities, care about the opinions of citizens), the existing research paints a bleak and discouraging picture. As far as BiH is concerned, according to Prism Research, all of 82% of respondents believe that the decisions of the local government never or almost never reflect their priorities, 80% believe that local government does not consult citizens in defining development priorities, and only 1.2% of respondents believe that local decisions are aimed at improving the lives of the poor. The trust citizens with such opinions can have towards local and generally public authorities is minimal, and every attempt to reform will hit a wall of distrust and resistance.

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Neither the preceding detailed texts, nor especially this much shorter overview can provide answers to the main question most interested readers probably have in mind: and what are we to do? The aim of this book is not to provide definite answers, but rather to ask the right questions and show how others have answered them. This certainly does not mean that those facing these questions today or in the future will have to answer in the same way. However, if a lesson can be learned from successful local self-governance reforms, then that means that changes should not be introduced hastily or carelessly and that development cannot endure leaps and revolutions. Or if it does, the price of such endurance is high.



# ANNEXES

## MUNICIPALITY COMPETENCES IN B&H

*Appendix 1.*

Function –Compe- tences	Competences in RS		
	RS	Munici- pality	Description of competence
<b>Education</b>			
Pre-school	✓	✓	This area is within the jurisdiction of the municipality in terms of founding and financing, and only partially under the jurisdiction of the entity in terms of prescribing the conditions for the regulation and financing of this area from the Child Protection Public Fund. Municipal competences are implemented through the Department for the Economy and Social Affairs.
Primary	✓	✓	Most competences are held by the entity, while the municipality performs certain activities through the Department for the Economy and Social Affairs. (monitoring primary schools, determining catchments, material assistance, etc.)
Secondary	✓	✓	Most competences are held by the entity, while the municipality performs professional and administrative tasks through the Department for the Economy and Social Affairs, and finances secondary schools to cover part of their material expenditures.
Higher	✓		Exclusive competences are carried out by the entity.
Adult education		✓	This segment is within municipal competences, although it is sometimes organised and conducted completely independently.
<b>General administration</b>			
Public administration	✓	✓	Most of the activities pertaining to public administration are carried out by the municipality (Department for Local Administration), while a portion of public administration activities is performed by the entity through branch bodies (regional units). Public administration is financed from original municipal sources, through a percentage returned to the municipality from revenue collected in the municipality territory by the entity.

Competences in FBiH				
Canton	Municipality		Description of Competences	
	Shared	Exclusive		
		✓		Cantons are in charge of creating and implementing policies, as well as passing regulations. Municipalities are in charge of financing.
	✓			Regulation and financing is within cantonal jurisdiction.
	✓			Regulation and financing is within cantonal jurisdiction.
	✓			Regulation and financing is within cantonal jurisdiction.
		✓		Cantons are in charge of creating policies to regulate and to maintain public services. Municipalities are in charge of implementation and financing.



Function –Compe- tences	Competences in RS		
	RS	Municipality	Description of competence
Police	✓		Exclusive entity jurisdiction.
Judiciary	✓		Exclusive entity jurisdiction.
Civil protec- tion		✓	Municipality competence, via the Department for General Administration.
Fire-fighting	✓	✓	Entity jurisdiction (Ministry of Internal Affairs), while the financing of professional fire-fighting units is within municipal budget competences.
Civic affairs registry	✓	✓	Municipality competence, via the Department for General Administration.
Voter regi- stry		✓	Some of the competences are at the entity level (Ministry for Local Self-Governance – granting and withdrawing citizenship, unique identification number – currently the Ministry of Internal Affairs).
Statistics	✓		Within municipal jurisdiction, Department for General Administration.
Local com- munities			Exclusive entity jurisdiction realised through the Republic Institute for Statistics and a hierarchy of departments organised in municipalities.
Healthcare			
Hospitals	✓		The entity is in charge of founding and financing.
Healthcare centres	✓	✓	Municipal competences include founding and monitoring primary healthcare through the Department for the Economy and Social Affairs, financing is within the competences of the Republic Public Healthcare Insurance Fund, via Regional Funds.

Competences in FBiH			
Canton	Municipality		Description of Competences
	Shared	Exclusive	
✓			The establishment and monitoring of the police is within cantonal jurisdiction.
	✓		Cantons are in charge of financing municipal courts, prosecutor's offices and municipal magistrates' courts. The founding and financing of municipal public attorney's offices is carried out by the municipalities.
		✓	Founding and financing Civil Protection Departments.
		✓	Financing and protection from fire.
		✓	Documenting citizens' personal data such as birth registry.
		✓	Voter registry administration.
		✓	Founding and financing.
✓			competences shared with the Federation.
	✓		Founded by municipalities. Other competences are retained by the Federation and the Cantons.

Function –Compe- tences	Competences in RS		
	RS	Municipality	Description of competence
Specialised institutes	✓		The entity is in charge of founding and financing.
Social security			
Centres for Social Work		✓	Municipalities are in charge of founding and financing.(Department for the Economy and Social Affairs)
Geriatric centres		✓	Municipalities are in charge of founding and financing (Department for the Economy and Social Affairs).
Red Cross		✓	Partly Within entity competences, part of the financing is within municipal competences in terms of founding and financing (Department for the Economy and Social Affairs).
Culture, recreation and sports			
Theatres	✓	✓	Within municipalitycompetences (Department for the Economy and Social Affairs) apart from those institutions of significance for entity interests, which are then founded and financed by Republic of Srpska.
Museums	✓	✓	Within municipalitycompetences (Department for the Economy and Social Affairs) apart from those institutions of significance for entity interests, which are then founded and financed by Republic of Srpska.
Libraries	✓	✓	Municipalities are in charge of founding and covering material costs, rent (Department for the Economy and Social Affairs), while salaries are covered by Republic of Srpska, apart from those institutions of interest for the entity, which are then founded and financed by Republic of Srpska.
Sports and sports clubs	✓	✓	General interest in sports and their resources are provided by the entity. Sports clubs are financed by the municipalities.

Competences in FBiH			
Canton	Municipality		Description of Competences
	Shared	Exclusive	
✓			
		✓	Municipalities finance centres for social work in terms of material and other allocations. The remaining duties are shared by the Federation and the Cantons.
		✓	Financing only those within the interests of the municipality.
		✓	Financing only those within the interests of the municipality.
		✓	Financing only those within the interests of the municipality.
		✓	Financing only those within the interests of the municipality.

Function –Compe- tences	Competences in RS		
	RS	Municipality	Description of competence
Sports and culture halls		✓	Within municipal competences (Department for the Economy and Social Affairs).
Galleries	✓	✓	Within municipality competences (Department for the Economy and Social Affairs) apart from those institutions of significance for entity interests, which are then founded and financed by Republic of Srpska.
Other cultural institutions	✓	✓	Within municipality competences (Department for the Economy and Social Affairs) apart from those institutions of significance for entity interests, which are then founded and financed by Republic of Srpska.
Urban planning, spatial planning and housing policy			
Urban planning		✓	Within municipal competences (Department for Spatial Planning).
Land surveying, land registry and property law matters	✓		Within the competences of Republic of Srpska
Regulation planning of spatial development		✓	Within municipal competences (Department for Spatial Planning)
Managing and maintenance of housing		✓	Within municipal competences (Department for Housing and Public Utilities)
Management of municipal properties		✓	Within municipal functions (Department for Housing and Public Utilities)

Competences in FBiH				
Canton	Municipality		Description of Competences	
	Shared	Exclusive		
	✓		Financing only those within the interests of the municipality.	
	✓		Financing only those within the interests of the municipality.	
	✓		Financing only those within the interests of the municipality.	
				✓
	✓		Determining and maintaining surveys and land registries, the use and management of construction areas are within municipal competences.	
	✓			
	✓			
				✓

Function –Compe- tences	Competences in RS		Description of competence
	RS	Municipality	
Public utilities and other public services			
Electricity	✓		Within entity competences, implemented by a public enterprise within the interests of Republic of Srpska
Water supply		✓	Within municipal competences, transferred into direct implementation by public enterprises (within municipalities, entrusted to the Department for Housing and Public Utilities)
Gas supply			
Heating		✓	Within municipal competences, transferred into direct implementation by public enterprises (within municipalities, entrusted to the Department for Housing and Public Utilities)
Sanitation		✓	Within municipalcompetences, transferred into direct implementation by public enterprises (within municipalities, entrusted to the Department for Housing and Public Utilities)
Waste disposal		✓	Within municipal competences, transferred into direct implementation by public enterprises (within municipalities, entrusted to the Department for Housing and Public Utilities)
Highways, roads, bridges	✓	✓	Local and uncategorised roads are within municipal competences (entrusted to the Department for Housing and Public Utilities)
Cemetery		✓	Highways and regional road within the competences of Republic of Srpska (Public enterprise PUTE-VI RS).

Competences in FBiH			
Canton	Municipality		Description of Competences
	Shared	Exclusive	
✓			Competences shared with the Federation.
		✓	Municipalities found public enterprises in this area.
✓			Competences shared with the Federation.
		✓	Municipalities found public enterprises in this area.
		✓	Municipalities found public enterprises in this area.
		✓	Municipalities found public enterprises in this area.
	✓		Construction, use and maintenance of local roads, streets and bridges are within municipal competences. Regional roads are within cantonal competences, while highways are within the competences of the Federation of BiH.
		✓	



Function –Compe- tences	Competences in RS		Description of competence
	RS	Municipality	
<b>Environmental protection</b>			
Protection of the natural environment		✓	Within municipal competences (Department for Housing and Public Utilities, but partly linked to other departments, such as the Department for the Economy and Social Affairs).
Anti-pollution activities		✓	Within municipal competences (Department for Housing and Public Utilities, but partly linked to other departments, such as the Department for the Economy and Social Affairs).
<b>Traffic, transport</b>			
Road traffic		✓	Within municipal competences, partly delegated to public and partly to private enterprises.
Railway traffic	✓		The designated municipal department in charge of this area is the Department for the Economy and Social Affairs.
Air traffic - airports	✓		Within entity competences.
Water traffic - ports	✓		Within entity competences.
<b>Economy</b>			
Trade	✓	✓	Trading policy, regulations and conditions are within entity competences, as well as the founding and maintenance of public enterprises in this area. Registration and documentation of private companies in this domain is within municipal competences (Department for the Economy and Social Affairs).

Competences in FBiH				
Canton	Municipality		Description of Competences	
	Shared	Exclusive		
	✓		Cantonal regulations are implemented, with the municipalities adopting their own programmes.	
	✓		Cantonal regulations are implemented, with the municipalities adopting their own programmes.	
		✓		
		✓	Implementing cantonal and federal regulations.	

Function –Compe- tences	Competences in RS		
	RS	Municipality	Description of competence
Crafts		✓	Registration and documentation of shops within municipal competences (Department for the Economy and Social Affairs).
Tourism	✓	✓	Global tourism policy and regulations are within entity competences. Tourism associations and the registration of private tourist agencies are within municipal competences (Department for the Economy and Social Affairs).
Catering	✓	✓	Regulation, founding and maintenance of public enterprises in this area are within state competences. Registration and documentation of private companies in this domain is within municipal competences (Department for the Economy and Social Affairs).
Agriculture	✓	✓	Partly within entity competences, and partly delegated to municipalities (e.g. registration of agricultural activities, etc.)
Forestry	✓	✓	State forests within entity competences, private forests within municipal competences s.
Em- ployment	✓	✓	Within entity competences, implemented through the Republic Employment Institute, with a hierarchy of offices in all municipalities. Validation of employment contracts with private employers and documentation of employment are within municipal competences.
Water ma- nagement	✓		
<b>Information</b>			
Public newsletter - newspaper	✓	✓	May be within entity competences if they fall within entity interests and if they are founded by Republic of Srpska. Approval for operation granted by the entity. May be of importance for the municipality, and in that case are founded by the municipality.

Competences in FBiH				
Canton	Municipality		Description of Competences	
	Shared	Exclusive		
			✓	
		✓		The canton determines (through cantonal tourism communities) the policy and leads the development of this area.
			✓	
✓				
		✓		
✓				Competences shared with the Federation.
			✓	Financing only those within the interests of the municipality.

Function –Compe- tences	Competences in RS		Description of competence
	RS	Munici- pality	
Radio	✓	✓	<p>May be within entity competences if they fall within entity interests and if they are founded by Republic of Srpska. Approval for operation granted by the entity.</p> <p>May be of importance for the municipality. Creating conditions for work is then within municipal competences (Department for the Economy and Social Affairs).</p>
Television	✓	✓	<p>May be within entity competences if they fall within entity interests and if they are founded by Republic of Srpska. Approval for operation granted by the entity. May be of importance for the municipality. Creating conditions for work is then within municipal competences (Department for the Economy and Social Affairs).</p>

Competences in FBiH				
Canton	Municipality		Description of Competences	
	Shared	Exclusive		
		✓		
		✓		

## CHARACTERISTICS OF COUNTRIES INCLUDED IN THE ANALYSIS

*Appendix 2.*

	Slovenia	Bosnia and Herzegovina	
Area	20.273,0 km <sup>2</sup>	51.066,3 km <sup>2</sup>	
Population	2.010.347	3.873. 000	
Population density	99,20	75,84	
Population distribu- tion	Urban (50 %), Rural (50 %)	Urban (43 %), Rural (57 %)	
Ethnic structure (2001)	Slovenian (93.1%), Serb (2%), Croat (1,8%), Bosniak (1,1%), Others or no data (2%)	Bosniak (44%), Serb (31%), Croat (17%), Others or no data (8%)	
Administrative struc- ture	210 municipalities	2 entities (Republic of Srpska and the Federation of Bosnia and Herzegovina) and the Brčko District The Federati- on of BiH is divided into 10 cantons, 63 municipalities, andin the RS, 79 municipali- ties, and the City of Sarajevo in FBiH	
GDP growth rate (2005)	4%	5,5%	
GDP (PPP) per capita in EUR (2006)	21.800	6.884	
GDP per capita – average of EU25 (EU minus Rumania and Bulgaria)	84%	25%	
GDP composition	Agriculture (2,3%), Industry (34,1%), Services (63,6%)	Agriculture (14,2%), Industry (30,8%), Services (55%)	

	Croatia	Macedonia	Denmark
	56.540,0 km <sup>2</sup>	25.713 km <sup>2</sup>	43.090,0 km <sup>2</sup>
	4.442.850	2.022.547	5.430.000
	78,58	78,66	126,02
	Urban (53.3 %), Rural (46.7 %)	Urban (62 %), Rural (38 %)	Urban (85 %), Rural (15 %)
	Croat (89.6%), Serb (4.5%), Bosniak (0.47%), Italian (0.44%), Hungarian (0.37%), Albanian (0.34%), Slovenian (0.3%), Roma (0.21%)	Macedonian (64.2 %), Albanian (25.2 %), Turkish (3.8 %), Roma (2.7%), Serb (1.8 %), Bosniak (0.8 %), Wallachian (0.5 %), Others and no data (1 %)	Scandinavian (majority), Inuit, from the Faeroe Islands, German, Turkish immigrants and their descendents make up 8.5% of the population
	20 counties and the City of Zagreb 429 municipalities and 127 cities	85 municipalities and the City of Skopje (comprises 10 municipalities)	5 regions (Hovedstaden, Midtjylland, Nordjylland, Sjaelland, Syddanmark) 98 local governances
	4,3%	4%	3,2%
	13.000	6.800	31.200
	52%	26%	120%
	Agriculture (6.8%), Industry (30.9%), Services (62.3%)	Agriculture (9%), Industry (29%), Services (62%)	Agriculture (1,4%), Industry (24,6%), Services (74%)



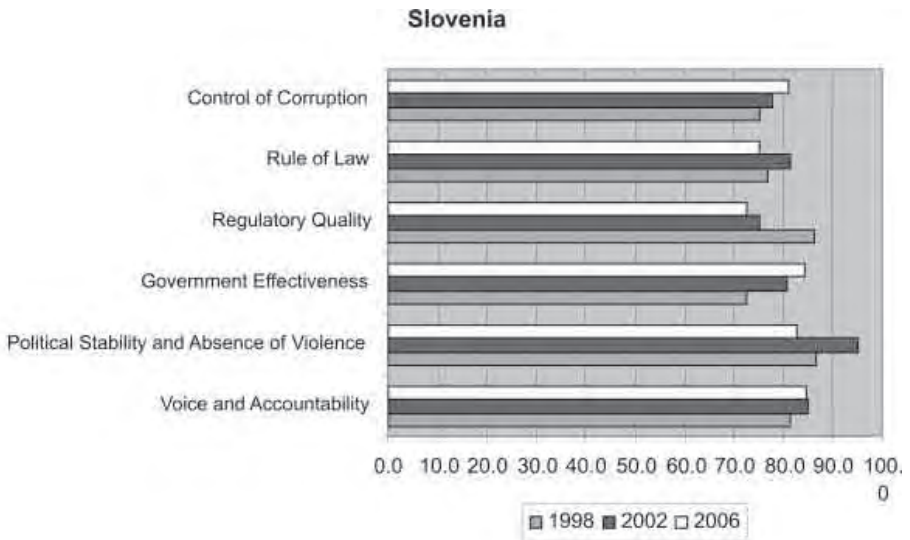
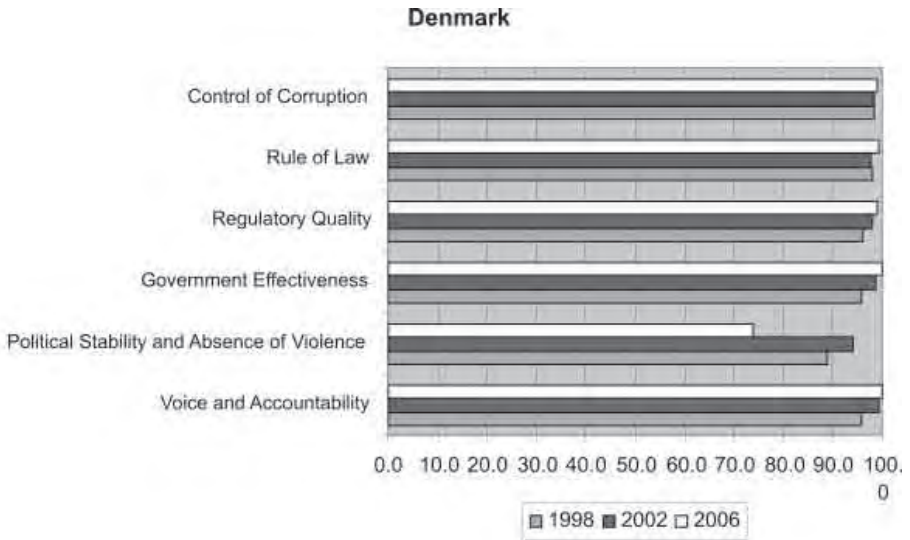
	Slovenia	Bosnia and Herzegovina	
Allocations for local self-governance as percentage of GDP (2003)	5,06%	3,5%	
Political system	Parliamentary democracy (Republic)	Parliamentary democracy	
Literacy (% of population over the age of 15)	99,7%	96%	
Agricultural land (% of total country area)	25%	42%	
Internet users (per 1000 residents)	476	58	
Asphalt roads (% of total road infrastructure)	92%	52,8%	
Primary school enrolment rate (% of total number of children)	100%	n/a	
Water availability (% of total number)	100%	97%	
Availability of running water (% of total number in urban population)	100%	99%	
Turnout rate for local elections as % of registered voters (second to last and last elections)	72,1% / 58,2%	66% / 46,8%	

Source of data: Statistics Institutes, World Bank databases, European Union statistics

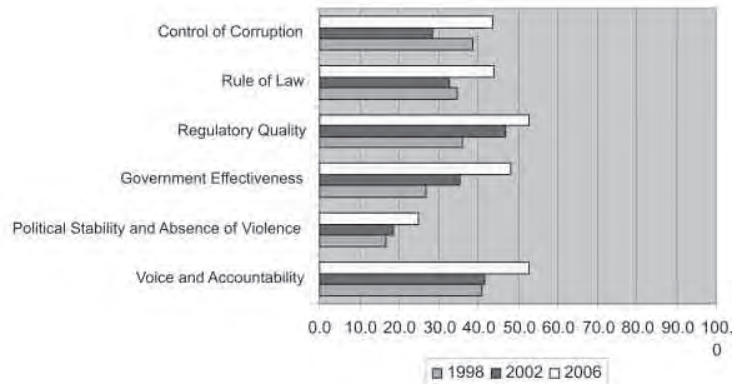
	Croatia	Macedonia	Denmark
	5,16%	1,7%	32%
	Parliamentary democracy	Parliamentary democracy	Parliamentary monarchy
	98%	96%	100%
	48%	49%	61%
	299	78	505
	84%	61,8%	100%
	94%	99%	100%
	100%	n/a	100%
	100%	n/a	100%
	46,85% / 28,51%	59,2% / 56,36%	70% / 70%

# COMPARATIVE OVERVIEW OF COUNTRIES ACCORDING TO GOVERNANCE INDICATORS (WORLD BANK)

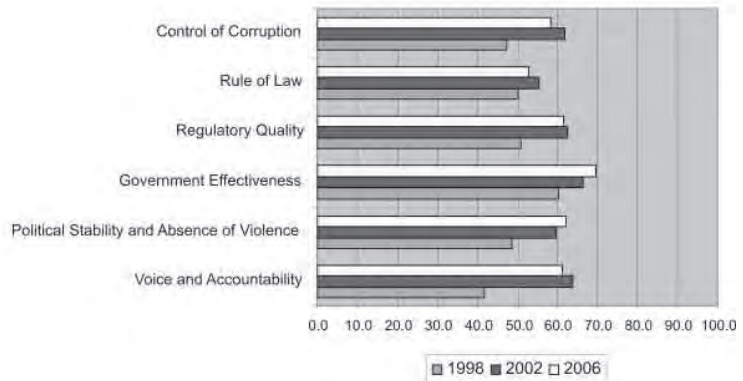
Appendix 3.



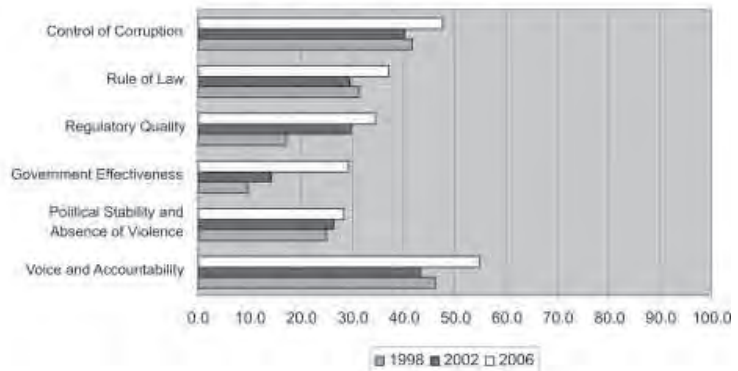
## Macedonia



## Croatia



## Bosnia &amp; Herzegovina



## Note

The World Bank Governance Indicators pertain to six dimensions of governance (Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption). They are based on the independent findings of various studies aimed at monitoring the quality of institutions, providing support to capacity building, improving governance, and fighting corruption. They are measured on a scale of 0 to 100.

- Voice and Accountability – measures the extent to which a country’s citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.
- Political Stability and Absence of Violence – measures the perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including terrorism.
- Government Effectiveness – measures the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies.
- Regulatory Quality – measures the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.
- Rule of Law – measures the extent to which agents have confidence in and abide by the rules of society, in particular the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence.
- Control of Corruption – measures the extent to which public power is exercised for private gain, including petty and grand forms of corruption, as well as “capture” of the state by elites and private interests.





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